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Report of the Secretary-General

Summary

The present report updates the Economic and Social Council on two cross-cutting issues relating to the regional commissions, namely, mainstreaming the regional dimension in the work of the United Nations and enhancing the coherence of the United Nations activities at the regional level in accordance with the guidance given in annex III to Council resolution 1998/46 of 31 July 1998. The report also provides, in section I, the report of the Executive Secretaries, which is submitted to the Council in accordance with General Assembly resolution 1823 (XVII) and Council resolution 1817 (LV). In addition, in response to Council decision 2004/213 of 13 February 2004, the report explores, in section IV, the theme for the regional cooperation item at the Council's substantive session of 2004, which is "Information technology for development: a regional perspective".

The resolutions and decisions adopted by the regional commissions during the spring of 2004 that require action by the Council or are brought to its attention are contained in addendum 1 (E/2004/15/Add.1).

The summaries of the economic surveys of the five regions are provided to the Council for its consideration (see E/2004/16-20). The annual reports of the regional commissions are made available as background information as they address matters relevant to the issues covered in the present report and its addendum. They are issued as supplements to the *Official Records of the Economic and Social Council*.

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Contents

		Paragraphs	Page
	Introduction	1–5	3
I.	Report of the Executive Secretaries	6–30	4
II.	Cooperation with organizations of the United Nations system	31–79	12
	A. Cooperation at the global level	31–47	12
	1. The Executive Committee on Economic and Social Affairs	31–33	12
	2. The United Nations Development Group	34–36	13
	3. Cooperation with the Department of Economic and Social Affairs	37–38	13
	4. Cooperation with the United Nations Conference on Trade and Development	39	14
	5. Cooperation with the United Nations Development Programme	40–47	14
	B. Cooperation at the regional level	48–79	16
	1. Regional coordination meetings	48–73	16
	2. Cooperation with other regional organizations	74–79	21
III.	Significant substantive issues before the commissions' sessions in 2004 or issues with which the commissions have been seized during the period under review	80–119	23
IV.	Interregional cooperation	120–180	31
	A. Information technology for development: a regional perspective	120–146	31
	B. Cooperation among the regional commissions	147–180	37
	1. Transport and transport facilitation	148–152	38
	2. Trade facilitation	153–155	38
	3. ECE/ECA/ESCWA cooperation in the Mediterranean	156–160	39
	4. Special Programme for the Economies of Central Asia	161–166	40
	5. ECE/ESCAP cooperation in the field of energy	167–168	41
	6. Statistics	169–171	41
	7. Gender equality	172–174	42
	8. World Summit on the Information Society	175–177	42
	9. Programme planning	178–180	43

Introduction

1. The regional dimensions of the work of the United Nations have received recognition and attention in recent years, as reflected in the 1997 programme for reform of the Secretary-General (A/51/950) and in Economic and Social Council resolution 1998/46, annex III. As the regional outposts of the United Nations, and as an important part of their respective institutional landscapes, the regional commissions play a dual role. This dual role necessitates the mainstreaming of the regional dimension in the overall work of the United Nations at the global level and making efficient use of the comparative advantages of the regional commissions as a way to ensure coherence of the Organization's activities, particularly those in support of the Millennium Declaration and global conferences and summits, at the regional level.

2. Since the adoption of Council resolution 1998/46, the Secretary-General, through his reports on regional cooperation, has attempted to engage the Council in a dialogue with the Executive Secretaries of the regional commissions on the progress achieved towards linking the activities of the Commissions more effectively with the overall activities of the Organization in the economic and social sectors. **As part of this mainstreaming, the Council may wish to decide that the regional cooperation item should be considered in a separate one-day segment of the Council, preferably to be held immediately following the high-level segment.**[1] Such an arrangement would provide for an improved substantive interaction between the Council and the Executive Secretaries and would ensure a more effective review by the Council of the regional commissions' activities within the overall activities of the United Nations in the economic and social sectors. Moreover, in line with the guidance provided by the Council in its resolution 1998/46, annex III, this would also enable the Executive Secretaries, when feasible, to participate in the deliberations of the Council during its high-level segment, so as to provide the regional perspectives of their respective commissions on the specific global issues under consideration.

3. The Executive Committee on Economic and Social Affairs has recently considered more effective ways for strategic planning and coordination, in 10 thematic clusters. It is expected that these thematic groups will ensure coordination and cooperation at the planning stage between the regional commissions and relevant entities of the United Nations and that this joint approach will be fully reflected in the future work programmes and budgets of the regional commissions and the departments and offices concerned. The regional commissions are participating fully in this effort and are providing an essential regional dimension to the work of the Organization in the economic and social sectors. **The Council may wish to emphasize the role of the regional commissions as regional focal points for monitoring and assessing progress towards the achievement of the goals and targets of global conferences, as well as of the Millennium Development Goals, bearing in mind regional priorities.**[1]

4. In its resolution 1998/46, annex III, the Economic and Social Council endorsed the recommendation of the Secretary-General concerning the establishment of regional coordination meetings to be organized by the regional commissions. The initial experience has been that these meetings have led to some significant initiatives for coordination and cooperation with respect to activities of the United Nations system at the regional level. However, the Council may wish to consider

further measures that could be taken to reinvigorate these meetings as an effective tool for improved coherence of the economic and social activities of the United Nations system at the regional level, including holding them on a regular basis. **The Council may wish to request strengthened coordination between the regional commissions and United Nations entities and the specialized agencies with regional programmes, through the regional coordination meetings. Integrated follow-up to global conferences and the achievement of internationally agreed goals should be a recurrent item on the agenda of these meetings.**[1]

5. Additional issues of concern to the Council are raised in the report of the Executive Secretaries.

I. Report of the Executive Secretaries

6. The Executive Secretaries of the five regional commissions held five meetings among themselves during the period under review: in Geneva on 17 July 2003, in New York on 29 October 2003, in Geneva on 9 December 2003, in New York from 17 to 19 February 2004 and in Shanghai on 26 April 2004. The Executive Secretaries welcomed the invitation of the Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) to exchange views and share in-depth analyses on the development policy issues and challenges facing their respective regions during a one-day meeting or seminar at the ECLAC secretariat, following their participation in UNCTAD XI.

7. These meetings were held in conjunction with the substantive session of the Economic and Social Council, high-level United Nations meetings and summits or Senior Management Group meetings. The Under-Secretary-General for Economic and Social Affairs, in his capacity as convener of the Executive Committee on Economic and Social Affairs, arranged for the meetings of the Committee to be held around the joint presence of the Executive Secretaries so as to ensure their participation, and also held a meeting with the Executive Secretaries on 12 December 2003.

8. At their meetings, the Executive Secretaries exchanged views on global issues and on the activities of their respective commissions which respond to the related development challenges within the regions. In particular, they exchanged views on the regional dimensions of the work of the United Nations.

9. With respect to mainstreaming the regional dimensions of the work of the United Nations, the Executive Secretaries noted that, as regional outposts of the Organization, the regional commissions undertook multisectoral activities for regional development and cooperation. Those activities included policy-oriented research and the provision of advice to their member States; technical cooperation and training activities for capacity-building; providing convening forums; and also providing reliable sources of comparable economic and social statistics. In particular, the lead role given to the commissions by various intergovernmental bodies for regional follow-up to world conferences and summits had further reinforced their work on indicators and benchmarking for linking the commitments agreed on in global conferences, as well as for monitoring and assessing their implementation at the regional level. In this context, the regional commissions are well placed to design, in cooperation with United Nations partners, a system for monitoring the regional dimensions of the Millennium Development Goals. In the

view of the Executive Secretaries, the work of the commissions in that regard should complement the activities of the Department of Economic and Social Affairs in global monitoring and the United Nations Development Programme (UNDP) and the United Nations Development Group in national monitoring. For example, the Inter-Agency and Expert Group Meeting on Millennium Development Goal Indicators held in New York from 29 March to 1 April 2004, expressed general agreement on the importance of providing regional synthesis on Millennium Development Goal achievements and challenges, based on existing and complementary goals and indicators. It recommended that agencies responsible for monitoring global targets should solicit inputs from the regional commissions on a systematic basis. Another example would be the joint initiative of the Economic and Social Commission for Asia and the Pacific (ESCAP) and UNDP for assessing progress towards achievement of the Millennium Development Goals in the ESCAP region.

10. The Executive Secretaries reviewed the recent measures taken by the Executive Committee on Economic and Social Affairs to involve the regional commissions more closely in the central policy work of the Secretariat. They agreed that under the guidance of the Committee, there should be an improved two-way flow of information between the global programmes, departments and offices and the regional commissions so that the regional perspective was more systematically reflected in policy discussions at Headquarters, on the one hand, and, on the other hand, to ensure that functional linkages existed between activities undertaken at Headquarters and those undertaken by the regional commissions. Moreover, the regional commissions should be more closely involved in the preparation of the reports of the Secretary-General to global bodies. The thematic groups originally established by the Executive Committee in connection with the preparation of the programme budget for the 2004-2005 biennium should remain active in support of this objective. In the view of the Executive Secretaries, cooperation and joint work should be further pursued and clearly reflected in the work programme and budget of each of the regional commissions and the departments and offices concerned.

11. At the intergovernmental level, the Executive Secretaries were of the view that the regional cooperation item considered by the Economic and Social Council at its general segment should be considered at a separate segment on regional cooperation, devoted to the interface between the regional commissions and the Council. Such a segment, of one day's duration, could be held immediately after the high-level segment so as to ensure a more effective mainstreaming of the regional commissions' contributions to the overall policy work of the Council and so as to facilitate the provision by the commissions of regional perspectives on global issues under consideration. By the same token, the Council would be in a better position to assess the response of the regional commissions to its directives with respect to policy coherence in the economic and social sectors.

12. The Executive Secretaries further agreed on the need to hold yearly informal meetings at Headquarters to brief member delegations of their respective commissions on socio-economic policies, perspectives and outlooks in their respective regions. Such an initiative would also encourage a more effective two-way flow of information and substantive exchange, including on the findings of the Economic Surveys, thereby eliminating the need for their simultaneous launching at Headquarters. The practice of launching the Surveys at Headquarters limits the audience to representatives of the accredited media who, in any case, can access the

same information through their counterpart correspondents in the respective regions or networks.

13. In connection with the regional Economic Surveys, the Executive Secretaries exchanged views and experiences about the publications of their respective commissions, particularly flagship reports. They agreed on the need for future coordination in the area of statistical data featuring in global and regional flagship reports, an issue that was first raised in the Executive Committee on Economic and Social Affairs and supported by its members (see subsection II.A.1, below).

14. The Executive Secretaries exchanged views among themselves and with other members of the Senior Management Group on how to further strengthen coherence of United Nations activities at the regional level. This process should, as much as possible, take due account of the vantage position of the Regional Commissions in their respective regional institutional landscape and of their extensive multisectoral activities, which integrate topics in the economic, social and, at times, political spheres. In their view, the regional commissions, in their areas of competence, play a leading role within the United Nations in interactions with regional organizations. The regional commissions, for example, have been requested to play a lead role in the follow-up of the Monterrey Consensus at the regional level, with the support of regional and subregional banks and in cooperation with the funds and programmes of the United Nations. Major economic and social processes at the regional level, such as regional economic integration and free trade arrangements, are under way across the world. While the main thrust of those processes comes from specific regional or subregional intergovernmental organizations, it is important that the United Nations should play an advisory and supporting role for those processes, in a unified and coordinated way. In this regard, the Executive Secretaries are of the view that there should be a framework for cooperation with regional and subregional organizations, with the United Nations regional commissions having the lead role in these processes.

15. It is equally important that global entities such as the Department of Economic and Social Affairs (DESA), the United Nations Conference on Trade and Development (UNCTAD), UNDP, the United Nations Environment Programme (UNEP) as well as the newly established offices of the Special Representative for Africa and the High Representative for the Least Developed Countries, Landlocked Countries and Small Island Developing Countries, when taking important initiatives in a particular region, fully involve the relevant regional commissions. For example, in preparation for the Almaty Conference on landlocked countries, the Office of the High Representative held discussions early on with the regional commissions and requested them to take the lead role in organizing the regional preparatory events. Similarly, efforts should be made to ensure that whenever a Government requests the assistance of the regional commissions on economic and social issues, the UNDP Resident Representative should also be involved early on so as to find avenues of efficient coordination in these matters.

16. Given its special development needs, Africa has taken up a greater share of the attention and work of the United Nations Development Group in recent years. The scale of the challenge in Africa has led most agencies to increase their support at the regional and subregional levels in the continent. In this regard, the main challenge now facing the United Nations in Africa is how to bring about enhanced coherence and coordination in its operations at all levels.

17. An efficient tool to achieve more coherence in United Nations activities at the regional level are the yearly coordination meetings between the regional commissions and the funds and programmes as well as United Nations departments and offices and agencies of the United Nations system engaged in regional and subregional activities, proposed by the Secretary-General and endorsed by the Economic and Social Council in 1998. These regional coordination meetings, which were launched in 1999 under the chairmanship of the Deputy Secretary-General are to be reactivated and convened annually at regional director level to decide on policy and programme issues. It might be beneficial to hold these group meetings back to back with the regional resident coordinator meetings, so that both mechanisms can review regional economic and social trends as well as technical cooperation at the regional level.

18. As the regional presence of the United Nations system grows, there is an increasing need to bring more coherence to the operational activities at the regional and subregional levels in order to enhance their impact. The Millennium Development Goals can readily serve as a framework for collaborative work in the regions. Within this framework, a few priority areas for collective action can be agreed upon, within which partnerships can be developed and division of labour and lead roles established with a view to achieving greater synergy and increased impact of the United Nations activities. The expertise of the commissions, as well as their special focus on cross-border and subregional issues, some of which cannot be effectively addressed solely through country-level coordination (for example, border crossing, trade facilitation, the water-energy nexus in Central Asia or the Mano River development initiative in Africa), calls for integrating, whenever appropriate, the regional and subregional dimensions of United Nations activities at the regional level. Closer links need to be established between the regional structures of the funds and programmes and the respective regional commissions, so as to take best advantage of the United Nations substantive and operational capacity available in each region. The strategic compact between the regional commissions and UNDP (July 2000) was an important first step on which partners need to build further. The Millennium Development Goals provide a sound basis for regional coordination and cooperation between the regional commissions and the United Nations Development Group.

19. The Executive Secretaries noted that the 2003 technical cooperation review, a follow-up to the Secretary-General's second set of reforms, found that the technical cooperation activities of the regional commissions in all areas served to complement their broader programme responsibilities and did not pose a significant issue of duplication with the technical cooperation activities carried out by the global entities. Nonetheless, as emphasized by the Deputy Secretary-General, there is room for clarification of roles, both within the United Nations system and vis-à-vis recipient and donor countries, as well as for achieving greater synergies, coherence and complementarity of efforts. The case for incorporating in-country programmes the regional and subregional dimensions of operational activities through greater involvement of the regional commissions by the resident coordinators was affirmed by the General Assembly in its resolution 56/201 in 2002. The operational activities of the commissions in regional and interregional cooperation should be further supported to respond to the Secretary-General's policy of decentralization and to the mandates of the General Assembly in this regard. Closer interaction between the

Executive Committee on Economic and Social Affairs and the United Nations Development Group would be very useful in this respect.

20. While all commissions are partners in country level operations under the United Nations resident coordinator system, some are more involved than others. The Executive Secretaries agreed that the regional commissions should align as much as possible their technical cooperation work within the framework of common country assessments/the United Nations Development Assistance Framework and poverty reduction strategy papers. To further support this approach, there should be strong two-way communication between the regional commissions and the resident coordinators/United Nations country teams, including flows of information on the commissions' country-level activities and on their available capacities. Expanding shared databases of national-level United Nations activities could greatly facilitate this task.

21. The Executive Secretaries further explored interregional and horizontal cooperation between the commissions in given areas. Building primarily on the experience gained through the meetings of the Executive Secretaries, cooperation among the commissions should be strengthened through knowledge-sharing and networking. Recent meetings of chiefs of transport and programme planning as well as the focal points for information and communication technologies and energy are excellent initiatives, which extend cooperation among the regional commissions to other common substantive areas of work.

22. The Executive Secretaries also exchanged views on and reviewed activities undertaken by the commissions during the period under review concerning: (a) regional follow-up to the International Conference on Financing for Development; (b) resources mobilization and enabling environment for poverty eradication in the context of the implementation of the Programme of Action for the Least Developed Countries for the decade 2001-2010, which is the theme for the high-level segment of the Economic and Social Council for 2004; (c) follow-up to the Johannesburg World Summit on Sustainable Development and the preparations for the twelfth session of the Commission on Sustainable Development. They also reviewed the commissions' preparations for the first and second phases of the World Summit on the Information Society, in Geneva in 2003 and in Tunis in 2005, and for UNCTAD XI in Brazil in 2004.

23. With respect to follow-up to the International Conference on Financing for Development, the regional commissions' actions have mainly focused on analytical work promoting policy dialogue, capacity-building and sharing of best practices. The Executive Secretaries noted that regional follow-up actions, as articulated in the Monterrey Consensus, have led to consolidating partnerships between the regional commissions, regional development banks and other financial institutions that were forged in the preparatory process for the Monterrey conference. Taking advantage of their in-house multidisciplinary capacities, the regional commissions are also promoting an integrated approach in their activities, taking especially into account the results of the Johannesburg World Summit on Sustainable Development. Similarly, the activities of the regional commissions in the areas of trade and trade facilitation are highly relevant for the follow-up to the financing for development process. In order to assist their developing member countries to integrate effectively into the global trading system, the commissions have continued their work with other partners in formulating trade policies and strategies so as to take advantage of

the opportunities provided by globalization and liberalization. They helped countries prepare for the Fifth World Trade Organization Ministerial Conference held in Cancun in September 2003.

24. With respect to the least developed countries, out of the 50, as many as 34 are in the ECA region, with another 14 in the ESCAP region, and one in each of the ECLAC and ESCWA regions. The Executive Secretary of ECE pointed out that while not qualifying as least developed countries according to the United Nations definition, a number of ECE countries faced very similar economic and social problems to those countries and contained sizeable proportions of people living below the poverty line (using the World Bank definition of $2 per day). All the commissions, especially ECA and ESCAP, have undertaken considerable work in recent years, both analytical and operational, that is consistent with the theme of the high-level segment of the Council for 2004. The Executive Secretaries reviewed macroeconomic policies and the institutional framework, official development assistance, debt and progress towards achieving self-reliance, and trade issues, particularly the Doha Round. They noted that disparities in income were widening and there was a need to implement pro-poor growth policies that would generate employment and prevent a further widening of income disparities and a rise in poverty. An appropriate mix of fiscal, monetary and social policies was needed and that should be fully taken into account by IMF, the World Bank and other international financial institutions when formulating their conditionality. It was also necessary, in the view of the Executive Secretaries, to develop mechanisms to fund anti-cyclical policies to safeguard social investments as well as investment in infrastructure during adjustment periods in order to secure growth in the medium and long term. With respect to official development assistance, debt and progress towards achieving self-reliance, the Executive Secretaries noted that closely linked to aid was the issue of debt relief, especially for the least developed countries. With the Heavily Indebted Poor Countries (HIPC) Initiative, finally some acknowledgement was apparent of the need to move from debt relief to debt cancellation. Further, it was necessary to secure ways to ensure sufficient funding for the implementation of the enhanced HIPC initiative in order to make sure that a disproportionate share of its cost was not borne indirectly by developing countries in the form of higher interest-rate spreads. Policy options to ensure new and additional funding to meet the substantial additional requirements of the least developed and other low-income countries were needed, in the light of their commitments deriving from the Millennium Development Goals. With respect to the Doha Round, regional policy dialogue, training and sharing of expertise were essential in order to strengthen the development dimensions of the Doha negotiations. The Executive Secretaries also emphasized the urgent need for widening the WTO accession process and for promoting national ownership of the accession process. In their view, regional and subregional organizations, including the regional commissions, needed to ensure policy coherence in close collaboration with the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and other relevant United Nations agencies in their efforts to assist the least developed countries.

25. Following the decision of the Commission on Sustainable Development, at its eleventh session, on the follow-up to the Johannesburg Plan of Implementation, inter alia providing mandates for regional follow-up and assigning a role to the regional commissions in that context, the Executive Secretaries exchanged views among

themselves on the ways and means of responding to those mandates within the available resources of their respective secretariats. They acknowledged the priority importance of regional follow-up to the Johannesburg Plan of Implementation. Accordingly, they decided to make appropriate adjustments to the existing calendar of activities of their respective commissions in order to hold regional implementation meetings in compliance with the guidance provided by the Commission on Sustainable Development at its eleventh session.

26. The regional implementation meetings carried out an overall regional review of the progress in implementation in the three thematic areas identified for consideration at the twelfth session of the Commission on Sustainable Development, namely, water, sanitation and human settlements. The meetings identified constraints, opportunities and challenges facing the respective regions in these areas, while also providing opportunities for the exchange of experience and lessons learned. A common shortcoming made evident at the regional review meetings in the five regions is the grossly inadequate investment overall in the three thematic areas. Further, most of the investments made benefited the urban sector. Even so, in most developing countries, population migration from rural to urban areas continued to strain urban infrastructures. Contaminated drinking water and poor sanitation were having direct negative consequences for productivity and economic growth in those countries, thereby undermining their poverty alleviation initiatives. It was also notable that the lack of progress in many countries with regard to water quality was often due to inadequate water management. This highlighted the urgent need for capacity-building in those countries. Likewise, lack of education had an adverse impact on solving the sanitation crisis in many countries, because of the inability to change the behaviour of the population. The outcome of the regional implementation meetings directly fed into the preparations and substantive documentation for the twelfth session of the Commission on Sustainable Development.

27. The Executive Secretaries noted that, with respect to the first phase of the World Summit on the Information Society, Geneva, the regional preparatory process had considerably raised awareness of the issues of bridging the digital divide and the use of information and communication technologies (ICT) as a tool for development. In this context, the regional commissions, based on their expertise in specific areas, provided valuable platforms for general policy discussion and formulation. In the period ahead and in preparation for the second phase of the Summit in Tunis, topics for such discussion might include bridging gaps in access to and use of ICT, and supporting vulnerable groups, underdeveloped regions and subregions and local communities. One area in particular in which the regional commissions have common expertise relates to the development of statistical indicators. The Executive Secretaries agreed that the World Summit process brought into focus the need for cooperation among the relevant organizations, both within and outside the United Nations system, to develop adequate methodology for measuring selected indicators as well as benchmarking and monitoring progress of implementation of the outcomes of the Summit. They emphasized the need for interregional cooperation as well as for horizontal cooperation among their respective secretariats in this area. They recommended information and communication technologies as the interregional theme for consideration by the Economic and Social Council in 2004 (see sect. IV.A below). They also identified ICT as an important area for a joint project by the commissions to be funded from the Development Account in the near future. Moreover, they agreed to participate in

a high-level panel, organized by ESCAP in connection with its sixtieth session in Shanghai, on "information and communication technology and knowledge-economy development: a regional perspective".

28. The Executive Secretaries also exchanged views among themselves and with the management of the United Nations Conference on Trade and Development (UNCTAD) on the regional commissions' participation in UNCTAD XI. The Executive Secretaries will participate in a round-table discussion on "Bilateralism and regionalism in the aftermath of Cancun: re-establishing the primacy of multilateralism". In follow-up to the joint discussions, and in accordance with the guidance provided by the Executive Secretaries, the regional commissions, under the leadership of ESCAP, have prepared a joint paper reviewing some commonalities and differences among countries and groups of countries on the proceedings of the Doha Development Agenda and the multilateral trading system in general. It explores the trend towards the proliferation of regional and bilateral trade agreements, analyses their track record and their relationship with the multilateral trading system. The paper will also make suggestions as to what the regional commissions can do jointly and in cooperation with other partners to advance the multilateral trade agenda in a mutually supportive manner to WTO-consistent regional and bilateral trade agreements. The regional commissions and their partners, at both the regional and global levels, play an essential role in assisting developing countries in effectively negotiating and implementing multilateral, regional and bilateral trade and other economic partnership agreements. They can do so individually in their respective regions, but also jointly in cooperation with UNCTAD and other partners through interregional projects and programmes focusing on capacity-building in WTO-related areas, including services as an emerging area of competitiveness of developing countries in a globalized world. The commissions could also work together in exploring ways for regional and bilateral trade agreements to promote development effectively and to be WTO-consistent. Another area where there is scope to develop joint projects and programmes would be documenting best practices in trade and investment policies. Synergies with the Bretton Woods institutions and the regional development banks should also be sought, with the latter providing essential financial assistance to vulnerable countries to adjust to new patterns of competitiveness and build supply-side capacities to benefit from market access gains. In the view of the Executive Secretaries, the regional commissions should continue to work very closely with UNCTAD at the regional level so as to provide a coherent regional perspective to an issue of global concern.

29. The Executive Secretaries also noted that since the adoption of the Millennium Declaration, their respective commissions had focused their programmes of work on better assisting member States' efforts to meet its commitments, especially those dealing with poverty, gender equity, environmental sustainability and, for ECA, the implementation of the New Partnership for Africa's Development (NEPAD). Activities in all those areas had been focused on addressing one of the main challenges facing the regions in meeting the Millennium Development Goals, namely, the lack of sound, reliable and comparable statistical data, which were indispensable for analysing relevant information and for formulating and implementing policies to create an enabling environment in order to reach the relevant targets to the extent possible in the time frames agreed upon in the Millennium Declaration. The Executive Secretaries noted that conditions in the

regions varied; reaching some of the Millennium Development Goals, such as in education, might not be of direct relevance for countries of the ECLAC region, for example, since it would not represent a significant improvement in the living standards of their people. Work was necessary, therefore, to relate the Millennium Development Goals to regional conditions by fine-tuning and/or disaggregating each of the indicators or even defining complementary indicators.

30. The Executive Secretaries also expressed their appreciation for the report on the Millennium Development Goals, jointly prepared by ESCAP and UNDP and issued for the first time in June 2003.

II. Cooperation with organizations of the United Nations system

A. Cooperation at the global level

1. The Executive Committee on Economic and Social Affairs

31. As indicated earlier in the present report, the Executive Secretaries participate actively in the meetings of the Executive Committee on Economic and Social Affairs. During the period under review, the Committee took measures which should lead to closer involvement of the regional commissions in the central policy work of the United Nations in the economic and social sectors. With respect to the Millennium Development Goals, the Committee noted that it was essential to have follow-up, supported by reliable data and analysis at all levels: global, regional and national. The issue of global and country-level reporting had been extensively discussed; however, regional reporting which could serve as a very important reference for both country-level and global work needed to be pursued further. Each of the commissions had done extensive work on regional reporting and would present its experiences at a future meeting of the Committee. The Committee agreed to focus on a few concrete initiatives for joint collaboration. The *World Economic Situation and Prospects* report to be issued in 2004 by DESA would be prepared in close collaboration with the regional commissions and UNCTAD. A key venue for consultations in that respect was the Expert Group Meeting on the Global Economic Outlook, organized by the Department in November 2003. The Committee also agreed that the preparation of the report would progressively involve the regional commissions, which would provide comments on drafts that DESA would share with them, particularly the parts pertaining to their respective regions and the chapter on regional development and outlook.

32. With respect to the policy oversight of publications, common criteria would be developed jointly on such matters as relevance, quality control, marketing, co-publication and authorship that would draw on the lessons learned from the individual reviews of publications undertaken by ESCAP, ECLAC and other Committee members. The Committee also reviewed the UNDP knowledge management system for technical cooperation. The Committee considered ways to ensure that the knowledge and capacities of the global entities and the regional commissions could become an integral part of the existing system, so as to provide a fuller service to Member States. The system would also help to eliminate geographical distances and ensure that global and regional entities of the United Nations without separate country offices of their own could be more closely engaged

in national development efforts for the benefit of Member States. In linking their knowledge management systems, the Committee members recognized the importance of taking advantage of the comparative functional and geographical strengths of entities at each level, namely global secretariat entities, the regional commissions and the country networks of the resident coordinator system.

33. Finally, with respect to financing for development, the Committee welcomed General Assembly resolution 58/230, in which the Assembly invited the regional commissions, with the support of regional development banks, and in cooperation with the United Nations funds and programmes, to hold intergovernmental meetings to address the regional and interregional aspects of the follow-up to the International Conference on Financing for Development and thus help to bridge any gaps between the national, regional and interregional dimensions of the Monterrey Consensus and serve as inputs to the High Level Dialogue as well as to the spring meeting of the Economic and Social Council. The regional commissions would report back to the Committee as this request is implemented.

2. The United Nations Development Group

34. The regional commissions participate in the meetings of the United Nations Development Group. However, because of their absence at the country level, the opportunities for them to be involved with the common country assessment/United Nations Development Assistance Framework (CCA/UNDAF) processes have remained somewhat limited to the countries of location of their respective secretariats and subregional offices, as in the case of ECA, ECLAC and ESCAP. Beyond that, their participation and involvement with CCA/UNDAF processes have been dependent on the initiative of the resident coordinators. For instance, UNDP and ECA have undertaken some joint activities at the national level in the context of the resident coordinator system and the CCA/UNDAF process in several countries of the region.

35. At the 30th meeting of the United Nations Development Group, held in Vienna on 1 April 2004, the Executive Secretary of ESCWA stressed that the Group's work around the Millennium Development Goals would be strengthened at the country level through closer collaboration with the regional commissions, which could bridge the gap between the global processes and country-level responses. The regional commissions could also facilitate the exchange of best practices on the CCA/UNDAF as well as poverty reduction strategy paper processes, as demonstrated by organization by the Economic Commission for Africa of PRSP review meetings at the regional level involving the PRSP countries, relevant donors and other stakeholders.

36. There was also potential for enhancing mutual cooperation between the relevant organizations by establishing linkages between the respective commissions and the newly created United Nations Development Group Executive Committee arrangement for periodic meetings of their Directors of Regional Bureaux (UNDP, UNICEF, UNFPA and WFP). So far, by invitation, only ECLAC had participated as an observer at two of the meetings of the Directors of Latin American Bureaux.

3. Cooperation with the Department of Economic and Social Affairs

37. Joint activities have continued to be organized by the regional commissions and the Department of Economic and Social Affairs (DESA) in follow-up to global

conferences, in particular, regional follow-up to the Johannesburg Plan of Implementation within the framework outlined by the Commission on Sustainable Development at its eleventh and twelfth sessions. In addition, ECA and DESA submitted reports on water, sanitation and human settlements to the regional ministerial meeting held in Addis Ababa in December 2003; ESCWA and DESA held a joint meeting on clean fuels and vehicles in Beirut in March 2004; and DESA provided a financial contribution for the preparation of key inputs for the ECLAC follow-up meeting to the Second World Assembly on Ageing, held in November 2003. Other ongoing collaborative activities include the substantive participation of the commissions in Project LINK (an international collaborative research group for econometric modelling, coordinated jointly by DESA and the University of Toronto); exchange of data and information in the preparation of global reports, such as *World Economic Situation and Social Prospects*; and on regional Economic and Social Surveys. Exchanges of specialized information in other areas of common interest have been accomplished through participation in each other's expert group meetings and training activities.

38. Additionally, the regional commissions have continued their close cooperation with DESA in a number of areas, predominantly in the area of statistics and Millennium Development Goal indicators, energy and sustainable development, population and gender equality.

4. Cooperation with the United Nations Conference on Trade and Development

39. The regional commissions and the United Nations Conference on Trade and Development (UNCTAD) have continued their long-standing collaboration in the fields of trade and investment; however, emerging areas have been added to that collaboration, such as, the role of information and communication technologies in promoting trade, and the links between trade and sustainable development. Building on their cooperation in the preparatory activities carried out for the first phase of the World Summit for the Information Society, they have started mutual cooperation since then on the issue of information and communication technologies indicators. In addition, most of the commissions and UNCTAD have collaborated on providing technical assistance to Member States in facilitating their accession to WTO and on assisting them to participate effectively in the multilateral trading system, including the Doha Development Round negotiations. Moreover, as indicated earlier, the regional commissions and UNCTAD cooperated in organizing a panel discussion on the regional dimension of trade and development concerns on the sidelines of UNCTAD XI, held in Sao Paolo. The commissions have a well-established collaboration with UNCTAD through exchanging trade and investment related information, regularly participating in each other's meetings, seminars and forums, and contributing to each other's projects and publications.

5. Cooperation with the United Nations Development Programme

40. Despite the fact that cooperation between the regional commissions and the United Nations Development Programme (UNDP) has been somewhat limited in recent years, primarily owing to funding constraints, there has also been increasing promise of developing further cooperation along certain thematic lines. Their shared commitment to the implementation of the Millennium Development Goals and follow-up to global United Nations conferences and summits has led to some cooperation between the regional commissions and the respective regional bureaux

of UNDP on specific thematic clusters of the Millennium Development Goals — especially on statistics and indicators on poverty eradication, and sustainable development.

41. With regard to activities related to the Millennium Development Goals, ECE and UNDP continued their collaboration on improving the production and use of official statistics to measure human development and the achievement of the Goals. Funding from UNDP training by ECE of analysts from Central and Eastern European as well as Commonwealth of Independent States (CIS) countries on the use of human development and Millennium Development Goal indicators, and further activities were carried out to assess the availability and use of gender statistics in Central and Eastern European and CIS countries.

42. In the case of ESCAP, Millennium Development Goal-related cooperation has become more institutionalized. The UNDP-ESCAP project "Supporting the achievement of the Millennium Development Goals in Asia and the Pacific (Phase I)" led to the publication of the first-ever regional Millennium Development Goal progress report in mid-2003. The recently launched phase II of this joint project (2004-2006) is intended to build upon the success of the first phase by broadening collaboration with United Nations and other interested agencies and creating synergies with further Millennium Development Goal-related initiatives. The project complements another new joint UNDP-ESCAP project on building national capacity in statistics to monitor progress on the Millennium Development Goals, to be implemented by the ESCAP Statistical Institute for Asia and the Pacific, located in Tokyo.

43. For ECLAC, cooperation on the Millennium Development Goals has involved other partners in the framework of a joint ECLAC/UNDP/Inter-American Development Bank/World Bank initiative to address the lack of reliable and comparable statistical data aimed at meeting the Millennium Development Goals; in this respect two pilot projects are being carried out in Colombia and Peru. In addition, ECLAC and UNDP have continued exchanging views and information on issues of common interest, in particular issues relating to the linkages between macroeconomic policies and poverty reduction.

44. ECA collaboration with UNDP focuses mainly on capacity-building activities in support of national efforts to achieve the Millennium Development Goals. These include national programmes for promoting sustainable development; support for macroeconomic and social reforms for capacity-building for pro-poor policies; and support in engendering macroeconomic policies and in the preparation of reports on the Millennium Development Goals.

45. ESCWA and UNDP held a joint workshop on social indicators with emphasis on the Millennium Development Goals in Beirut in June 2003, with the aim of raising awareness of the Millennium Development Goals and identifying means to track and monitor progress towards achieving them.

Follow-up to global conferences and summits

46. Work in follow-up to global conferences and summits has led the regional commissions and UNDP to undertake analytical work in some cases and to deliver technical cooperation in certain other cases. Within the framework of the joint project "Financing for sustainable development", ECLAC and UNDP joined efforts

with the Government of Mexico and the Andean Development Corporation to issue, in April 2003, a joint publication entitled *Financing for Sustainable Development. Visions and Proposals for Action from a Latin American and Caribbean Perspective.* In August 2003, the two institutions organized a methodological workshop on environmental expenditure and investment, aimed at promoting the use of uniform and comparable methodologies to quantify and classify public and private environmental expenditure and investment, in order to help decision makers design funding strategies for environmental purposes.

47. In the context of facilitating preparations by the developing countries for the Doha Development Round of trade negotiations, UNDP participated in and made substantive contributions to the ECA Post-Cancun Expert Group Meeting for African Trade Negotiators and Officials, held in Accra, Ghana, in November 2003 with the aim of reviving the stalled Doha process and charting a way forward for Africa. UNDP also provided financial support to ECA in organizing the High-Level Brainstorming Meeting of African Trade Negotiators, held in Mauritius in June 2003.

B. Cooperation at the regional level

1. Regional coordination meetings

48. In its resolution 1998/46, annex III, the Economic and Social Council requested yearly interagency coordination meetings, to be chaired by the Deputy Secretary-General and organized by the regional commissions. The objective of these meetings is to achieve greater coherence and synergies among the activities of the United Nations system at the regional level. These meetings are focused on providing coordinated support for the implementation of the Millennium Development Goals and the commitments of international conferences and summits at the regional level. They also reflect concern with regional-specific issues, such as the implementation of NEPAD in the ECA region, HIV/AIDS and disability-related concerns in the ESCAP region, and peace-building and reconstruction in the ESCWA region. However, these mechanisms should be more fully utilized in the development of a strategy for system-wide support for implementation of the Millennium Development Goals and other international commitments. It is planned to reactivate the regional coordination meetings as a matter of priority during 2004; one of the main areas of focus will be the enhancement of joint technical cooperation at the regional and subregional levels with the relevant organizations of the United Nations system.

49. The activities of these meetings during the period under review are briefly described below.

Economic Commission for Europe

50. The regional coordination meeting organized at the end of 2002 by ECE with the participation of 13 other United Nations organizations and agencies discussed the work programmes for 2004-2005. This was considered as a necessary first step towards a more in-depth consideration of how entities could better cooperate in the region.

51. Given the active involvement of most participating agencies in the Central Asian, Caucasus and South-Eastern Europe subregions, as well as the significant development challenges the concerned countries are confronting, it is expected that the next meeting, to be held in the second half of 2004, will concentrate on the strategies of the organizations in respect of these subregions and how the work being carried out can be better coordinated. Lack of coordination can reduce the efficiency of assistance and places an additional burden on recipient countries.

52. In the face of the enlargement of the European Union, it is all the more important that the countries concerned receive effective assistance so that new dividing lines in Europe between the "haves" and the "have nots" can be avoided. Some of these countries, while not formally classified as developing or least developed countries, face very similar economic and social problems, with many of their inhabitants living below the poverty line of $2 a day. Income disparities are widening. At the same time, problems in some of the subregions can contribute to political instability, an example being water management in Central Asia.

53. Against this backdrop, cooperation and coordination are critical. However, an additional important issue to be tackled at the next meeting would be working out the modalities for inter-agency coordination to be achieved at minimum cost. This question is key, since coordination does not just happen because it is acknowledged as necessary.

Economic and Social Commission for Asia and the Pacific

54. The heads-of-agency meetings/regional coordination meetings organized by ESCAP were held every quarter, chaired jointly by the Executive Secretary of ESCAP and the United Nations Resident Coordinator and UNDP Resident Representative for Thailand, and attended by representatives of regional, subregional and country offices of the United Nations system. In the context of these meetings, 11 thematic working groups consider specific issues, ranging from the Millennium Development Goals, women's empowerment and gender equality, disability-related concerns and environment and development, to information and communication technologies, poverty reduction and food security. There exist two committees: on programme coordination and on administrative and management matters. These mechanisms are intended to ensure system-wide coherence and greater synergies in United Nations regional responses and contribute to preventing possible duplication of work. Furthermore, they have been crucial in fostering partnership among the United Nations agencies and building a sense of collective United Nations identity and purpose.

55. The heads-of-agency meetings/regional coordination meetings continued to place strong emphasis on addressing substantive issues of common concern to the organizations of the United Nations system, as well as regional follow-up to the commitments of world conferences. The thematic focus of these meetings in 2003 and the first quarter of 2004 included regional priorities and strategies in the areas of education, drugs and crime, the environment, and hunger and food security. Important issues such as regional follow-up to the World Summit on the Information Society (Geneva phase), and common country assessments/United Nations Development Assistance Frameworks were also addressed.

56. One of the most notable examples of effective United Nations partnership has been the joint initiative between ESCAP and UNDP in preparing the regional

Millennium Development Goal reports, of which the first was issued in June 2003 and widely distributed in the region. ESCAP has been collaborating closely with other United Nations agencies in the areas of HIV/AIDS and disability, and in making regional preparations for the Geneva and Tunis phases of the World Summit on the Information Society (WSIS). ESCAP has entered into institutional collaborative arrangements, such as memorandums of understanding, with other agencies and affiliated bodies, such as the World Meteorological Organization and the Asian Development Bank.

57. Staff training courses on report writing, rights-based approaches to development and HIV/AIDS awareness were provided to United Nations system staff based in Bangkok and were well attended.

Economic Commission for Latin America and the Caribbean (ECLAC)

58. The fourth regional inter-agency coordination meeting for Latin America and the Caribbean, which could not take place during 2003, will be held in the second half of 2004, with an agenda focused on three issues: (a) cooperation initiatives among various entities to optimize the work of the Organization in the framework of the Millennium Development Goals; (b) regional follow-up activities to United Nations summits and conferences in the socio-economic area; and (c) regional technical cooperation activities in the socio-economic area.

59. Building on the successful experience of the ECLAC web site on regional follow-up to United Nations conferences and summits, designed as a contribution to inter-agency coordination, ECLAC is currently developing an institutional web site for the regional follow-up of Millennium Development Goals, which, in addition to portraying the interdivisional work regarding the Millennium Development Goals carried out by ECLAC, will allow the dissemination of the links of other United Nations and regional agencies in this regard. Both tools will facilitate the exchange of information required for improving inter-agency coordination, as well as the dissemination of information on the work carried out by the United Nations in the Latin America and Caribbean region.

60. ECLAC has continued to promote inter-agency coordination, particularly in the areas of the advancement of women and of ageing.

61. An important development that would contribute to the further strengthening of regional coordination is the official inclusion of ECLAC in the meetings of the United Nations Development Group for Latin America and the Caribbean.

Economic Commission for Africa

62. The sixth regional consultations meeting of the United Nations system in support of NEPAD will be held on 8 and 9 July 2004, back-to-back with the African Union (AU) Assembly of Heads of State and Government in Addis Ababa. Five clusters are being worked on: 1. infrastructure development, including water and sanitation, energy, transport and information and communication technologies (ICT) (convener: ECA); 2. governance, peace and security (convener: UNDP); 3. agriculture, trade and market access (convener: FAO); 4. environment, population and urbanization (convener: UN-Habitat); 5. human resource development, employment and HIV/AIDS (convener: UNICEF). In addition, as agreed at the fifth regional consultations meeting, a new sixth cluster on science and technology

(convener: UNESCO and UNCTAD) was recently established to support the work of NEPAD in this important area. Although the cluster is yet to be convened, it is already working closely with the NEPAD secretariat and other regional organizations on policy and implementation issues relating to NEPAD.

63. Considerable progress has been made by some of the clusters in identifying areas of common concern in their work where significant synergies can be built, and in working with African regional and subregional organizations within the context of the Regional Consultations mechanism.

64. Under "Infrastructure development", the water and sanitation sub-cluster organized a Pan African Implementation and Partnership Conference on Water in Addis Ababa from 8 to 13 December 2003. The transport sub-cluster continues to assist, in collaboration with the World Bank, in the implementation of the Sub-Saharan Africa Transport Policy Programme, within the context of NEPAD. For instance, ECA, in collaboration with the regional economic communities and AU, is championing the implementation of the Yamoussoukro Decision on air transport liberalization in Africa. The ICT sub-cluster convened in September 2003 to discuss the involvement of the United Nations agencies working in Africa relative to the implementation of the Short-Term Action Plan on Infrastructure. It also organized and participated in several forums in preparation for the Geneva phase of the World Summit on the Information Society.

65. With respect to the human resources development cluster, the first joint meeting with the NEPAD-AU human resources development cluster was convened by UNICEF and the NEPAD secretariat on 29 and 30 January 2004. The purpose of the meeting was to review progress on an agreed-upon plan of action. Some of the major achievements of the work on HIV/AIDS include the special initiative of all the United Nations agencies in southern Africa in establishing the Regional Inter-Agency Coordination Support Office, for the Special Envoy for Humanitarian Needs in Southern Africa which has emerged as an important forum and coordinating mechanism for addressing a number of key issues, notably the impact of HIV/AIDS on rural livelihood and food security. The sub-cluster on education, which involved a collaborative effort of UNESCO, other participating United Nations agencies and NEPAD, is forming a task-team to review and finalize the NEPAD initial plan of action in the field of education. Collective activities of the employment sub-cluster have focused on the preparation by ILO and the NEPAD and AU secretariats of the draft social policy framework for Africa, which will serve as a core document for the Summit on Poverty and Employment in Africa, scheduled to take place in Burkina Faso in September 2004.

66. The activities of the environment, population and urbanization cluster have focused on shaping the sustainable NEPAD cities programme. They are being led by UN-HABITAT, in collaboration and consultation with other United Nations agencies operating in the same cities, the regional economic communities, national Governments and the NEPAD secretariat. The cluster made significant contributions in the area of environment, with UNEP leading the efforts by convening thematic workshops that resulted in project proposals that were incorporated in the NEPAD Environment Initiative Action Plan. UNEP also provided institutional support for the establishment of the interim secretariat of the NEPAD Environment Initiative.

67. The governance, peace and security cluster collaborated in organizing stakeholder workshops of parliamentarians, ministers and representatives of civil society from the 16 countries involved in the preparation of the African peer review.

68. Yet, in spite of the progress made, much remains to be done to enhance the coherence and the coordination of United Nations system support of NEPAD. For example, the thematic clusters identified several areas where synergies can be built on in the various work programmes. Follow-up action on this is needed. Cross-cutting issues such as HIV/AIDS, gender and human rights also need to be mainstreamed into the cluster activities. In addition, all United Nations agencies and organizations agreed on the growing need for the United Nations system to assist in strengthening the capacities of the regional economic communities, the AU Commission and the NEPAD secretariat. However, the resources available for doing this remain grossly inadequate. Finally, the regional consultation mechanism itself needs to further clarify the roles and responsibilities of the various agencies operating at the regional and subregional levels in Africa, in order to ensure complementarity and avoid duplication.

Economic and Social Commission for Western Asia

69. The seventh and eighth meetings of the Regional Coordination Group in Western Asia convened by ESCWA were held on 29 and 30 May 2003 and 19 and 20 November 2003, respectively.

70. The deliberations of the seventh meeting resulted in the following conclusions: (a) there is a need to undertake joint activities to strengthen the capacities of NGOs and human rights institutions to monitor the implementation of human rights treaties in the Arab countries; (b) on peace-building, recovery and human development, it was agreed that United Nations agencies need to react quickly to developments in an unstable region and to prepare themselves in a creative manner so as to support the process of reconstruction. Pilot projects could be a pull factor in galvanizing Governments into action, as was the case in the demining operation in south Lebanon; (c) it was agreed to explore mechanisms for cooperation in the priority areas identified for collaborative action, namely social policies, poverty and employment; and (d) the newly established Regional Coordination Group web site was considered to be a useful mechanism for facilitating information sharing, coordination and cooperation among agencies.

71. During the eighth meeting, key areas such as the implementation of Millennium Development Goals, poverty reduction and employment, social policies, human rights, world trade issues, and peace-building and recovery were discussed. The difficult circumstances facing the Arab region had laid additional responsibilities on the United Nations agencies but, at the same time, had offered them a significant opportunity to play an important role in the reconstruction, human development and peace-building efforts and had highlighted the need for a common United Nations policy stand with regard to the challenges faced in the region.

72. The meeting also stressed the need for coordination and collaboration among the United Nations agencies, based on the comparative advantage of each agency, and the establishment of a task force in support of the implementation of the Millennium Development Goals and other priority needs in the region was considered.

73. The Regional Coordination Group web site set up by ESCWA as a knowledge sharing and coordination network was acknowledged with appreciation.

2. Cooperation with other regional organizations

74. The regional commissions, being an integral part of the landscape of regional organizations in their respective regions and having helped establish and nurture some of them in the economic and social fields, enjoy a built-in advantage and a lead role in promoting and supporting regional and subregional integration and cooperation groupings. Additionally, being the principal arm of the United Nations in the economic and social fields in their respective regions, while also providing a neutral region-wide forum, the commissions are well placed to promote mutuality and complementarity between the global, regional and subregional processes. They have been instrumental in facilitating cooperation and the exchange of experience between the subregional organizations and integration groupings, as in the case of ESCAP, which for years has organized annual meetings of heads of subregional organizations in the region and has served as the secretariat of this arrangement. Moreover, the regional commissions' proximity to the theatres of regional and subregional action has enabled them to render timely and relevant services. For instance, in the context of the enlargement of the European Union, ECE has been assisting the newly acceding countries by organizing a series of "beyond enlargement" workshops, while also extending support to the remaining countries to catch up with the codes and standards of the European integration process.

75. In many cases, cooperation between the regional commissions and the regional and subregional organizations in their respective regions has been institutionalized through the signing of appropriate agreements or memorandums of understanding. ECE has agreements with the Black Sea Economic Cooperation, the Central European Initiative, Commonwealth of Independent States, and the South-East European Cooperative Initiative/Stability Pact. All of these formal arrangements are being implemented by the respective organizations and ECE. In the case of ESCAP, a joint memorandum of understanding between the Asian Development Bank, WTO and ESCAP is currently under negotiation. In Latin America and the Caribbean, ECLAC has been working with the Organization of American States and the Inter-American Development Bank in the framework of the Tripartite Committee which provides technical support to the establishment of the Free Trade Area of the Americas. ECA continued its long-standing relationship with the Organization of African Unity by providing support in various aspects of the organization's transformation into the African Union (AU), including, in particular, the implementation of NEPAD and in promoting regional economic integration. Further, during the period under review, ECA and the African Development Bank underscored their long-standing cooperation by undertaking joint activities in several areas, for example, trade policy, implementation of the NEPAD programme on infrastructure, including the implementation of the Yamoussoukro Decision on air transport liberalization in Africa, and in the context of the ECA project on measuring progress towards good governance in Africa. Equally important, since June 2003, the two organizations have worked together to ensure synergies in preparing for the annual meetings of their respective policy organs by scheduling them back to back and organizing a joint symposium in conjunction with these meetings. ECA, through its subregional offices, also maintains very close cooperation with African subregional organizations, such as the Maghreb Arab

Union, the Economic Community of Central African States, the Economic Community of Western African States and the Community of Sahel and Sahara States. Likewise, the ESCAP Pacific Operation Centre is an integral part of the institutional landscape in the Pacific region.

76. ESCWA, through a variety of institutional arrangements, cooperates with the League of Arab States. For instance, it acts as the technical secretariat for the Council of Ministers responsible for Environment. Moreover, its Executive Secretary co-chairs the biennial consultations between the League and the United Nations in the economic and social fields.

77. A wide variety of activities, both operational and analytical, are undertaken by the commissions and their regional/subregional integration grouping partners. The contributions of the regional commissions in terms of their policy analysis work are also significant for the strengthening of regional/interregional cooperation and integration arrangements and are often of a forward-looking nature. For instance, ECLAC has been deploying considerable efforts to expand and strengthen collaboration and coordination with other regional organizations, with the aim of assisting member States in the assessment of key analytical and policy issues associated with the proliferation of regional, subregional and bilateral trade agreements in the region; in the implementation of commitments assumed in the various agreements to which countries are signatories; and in strengthening their capacity to adapt to the new international environment, including the design of policies in open economies for improving competitiveness. At the request of the secretariat of the Association of Caribbean States, ECLAC has also prepared an analysis of "Main trade trends: trade policy and integration in the Greater Caribbean". In the Arab region, ESCWA envisages greater cooperation with the League of Arab States on its annual flagship publication on globalization and regional integration.

78. There is a need to strengthen the relationship between the Bretton Woods institutions, the regional and subregional development banks and other financial institutions and the United Nations on some key issues, such as trade and financing, at the regional and subregional levels. The regional commissions can play an important role in this regard. For instance, the importance of free trade agreements at the regional and subregional levels is quite evident. Given the current weakness of the multilateral system on trade issues, these agreements will become the cornerstone of trade developments in the years to come. Furthermore, most of these agreements go beyond trade issues and involve macroeconomic as well as governance issues. The regional commissions can play a leading role in relations between the United Nations and the relevant regional and subregional organizations in the follow-up of these agreements, particularly in linking them to the multilateral processes within the United Nations system.

79. The same applies to the relationship with the regional and subregional development banks, which are very important in the regions; and, moreover, in some of the regions, with a network of multilateral financial institutions. The regional commissions can play a leading role in the follow-up of the Monterrey Consensus at the regional and subregional levels in close interaction with regional and subregional development banks and other financial institutions as called for in General Assembly resolution 58/230. Also, integration from a physical perspective through infrastructural development of regional infrastructures and their

improvement for regional integration is yet another important regional and subregional issue, where the regional commissions, the regional and subregional development banks and the Bretton Woods institutions can play a more complementary role, building upon existing cooperation in this area.

III. Significant substantive issues before the commissions' sessions in 2004 or issues with which the commissions have been seized during the period under review

80. As indicated below, substantive themes or issues considered at the commissions' sessions or focused on by the respective secretariats primarily revolved around the challenges of globalization and the need to strengthen the production sectors and regional integration processes as effective vehicles for enabling countries to benefit from globalization. ESCWA has also focused on the development needs of a region under crisis conditions.

Economic Commission for Europe

81. At its fifty-ninth session, the United Nations Economic Commission for Europe discussed: (i) short-term economic developments, (ii) policies to stimulate competitiveness and growth, (iii) the role and place of ECE in the new European architecture after the EU enlargement, and (iv) the relationship between the Organization for Security and Cooperation in Europe (OSCE) and ECE.

82. On the basis of the Economic Survey of Europe 2004, No. 1, it was noted that growth had picked up in Eastern Europe, while the CIS was among the most dynamic regions in the world. The outlook for 2004 is generally optimistic, although considerable downside risks remain, notably persistent current account imbalances in the United States and associated risks of excessive exchange rate volatility.

83. The discussion on policies to stimulate competitiveness and growth was organized around two round tables. The first identified best practices and national policies that have proved successful in increasing competitiveness and growth; while the second focused on regional initiatives and cooperation in the ECE region and the role of the ECE in stimulating competitiveness. Conclusions drawn from the first round table include the following: Governments are primarily responsible for creating an economic environment that would be conducive to competitiveness and growth; Governments' targeted policies such as investments in education, research and development and information and communication technologies are also indispensable; government funding should be focused on areas where social returns exceed private returns and therefore private funding would be inadequate; a competitive economy needs entrepreneurship and therefore it is important to lower the costs of doing business, to cut "red tape" and to improve the efficiency of government services for enterprises; and the experience suggests that it is important to encourage the private sector to invest in research and development. The round table also concluded that substantial differences in the implementation of policies exist within the region.

84. The conclusions of the second round table include the following: regional cooperation can play an important role in fostering competitiveness and growth; regional initiatives should include a focus on competitiveness among their priorities

and, in order to be effective, these priorities have to be translated into clear operative targets that can be monitored. Currently, there is still a lack of efficient mechanisms for implementation of operative targets; and regional initiatives should make sure to involve all relevant stakeholders including central and local governments and the business and academic communities.

85. The discussion also emphasized such issues as the role of regional organizations like ECE, which could provide a forum for the exchange of best practices in such areas as entrepreneurship, trade facilitation, information and communication technologies and the information society. ECE had been active in promoting competitiveness and growth by promoting regional free trade, developing efficient infrastructure in transport and energy, encouraging transition to a knowledge-based economy and by providing a forum for discussion and the exchange of best practices. ECE also offered technical assistance, notably in meeting the new challenges posed by the advance of the knowledge-driven economy.

86. With respect to the enlargement of the European Union, the role of ECE was acknowledged in assisting the new member States move towards EU membership, as well as in providing advice and support to the EU candidate countries and to other countries with economies in transition. At the same time, it was noted that developments in the region pose challenges for ECE, and the secretariat's willingness to face those challenges was welcomed.

87. The Commission requested a report on ECE with the aim of developing recommendations to determine what changes to the role, mandate and functions of ECE are necessary in the light of the changes in the European institutional architecture since ECE was created almost 60 years ago. The report, which will be paid for out of extrabudgetary resources, will be considered at the sixtieth session of the Commission.

88. With regard to the long-standing cooperation of ECE with OSCE, it was recalled that the 1997 reform of ECE had emphasized the need to consolidate cooperation with organizations such as OSCE which have a similar membership and a complementary mandate. The privileged position of the Economic Commission for Europe among all the organizations with which OSCE cooperated was also highlighted. At the same time, while the New Strategy Document of OSCE, adopted in 2003, provided the basis for a new and deeper relationship between OSCE and ECE, the relationship had still to be defined. The Commission therefore agreed to the proposal of the Executive Secretary, that an intersecretariat task force prepare a detailed plan, including resource implications in respect of the proposed "new" cooperation, that would be subsequently submitted to the Commission for its consideration and decision. The Commission further agreed to the involvement of ECE in the transitional review of commitments in preparation for the OSCE Economic Forum in June 2004 in the same manner as had been the case so far.

Economic and Social Commission for Asia and the Pacific

89. The sixtieth commemorative session of ESCAP was hosted by the Government of the People's Republic of China in Shanghai from 22 to 26 April 2004. The theme topic of the session was "Meeting the challenges in an era of globalization by strengthening regional development cooperation". The fundamental vision of the United Nations Millennium Declaration is that better management of globalization

is central to achieving the Millennium Development Goals. Globalization has been a complex and uneven process for the Asian and Pacific region. Several countries have reaped substantial benefits, but many others, particularly the least developed, have been left behind. Regional development cooperation in trade, transport, information and communication technologies and finance is an effective vehicle for enabling Asian and Pacific countries to benefit equitably from globalization. The study on the theme topic presents the salient features of the analysis of selected regional cooperation agreements in the above four areas to identify ways in which Asian and Pacific countries can achieve this objective.

90. The analysis identified three layers of Asian and Pacific cooperation, intergovernmental rules-based, activities-based and transnational corporation-driven, which are part of globalization and promote incremental integration through public-private partnership. The study lists a number of areas which require further regional cooperation. Examples are harmonizing the "spaghetti bowl" of bilateral and regional trade arrangements, making the Asian Highway and Trans-Asian Railway the main international trunk routes of the region, harnessing the region's world-class expertise in ICT to bridge the digital divide between countries and establishing a strong, safe and efficient financial architecture to support economic development. The specific role of ESCAP in promoting regional cooperation in the above areas was emphasized.

91. Two main issues were identified by the Commission: (a) how to assist those countries and vulnerable groups that had not benefited from globalization; and (b) the quest for a framework of global governance. In the absence of global governance, regional cooperation could serve as an effective mechanism for combining forces to tackle transnational problems, to assist those countries that were unable to cope with globalization problems on their own and to spread the benefits and costs of globalization more equitably. Regional cooperation would also enhance policy coordination among diverse countries and areas, strengthen their risk preparedness and help to foster a more favourable environment for comprehensive development in the region.

92. The Commission noted that the growth of intraregional trade accounted for a substantial share of the overall trade growth of the economies of the region. In that context, the establishment of regional, subregional and bilateral economic cooperation and integration initiatives could further promote trade. ESCAP was called on to explore ways of making such arrangements serve as building blocks of the multilateral trading system. ESCAP was requested to accord high priority to formulating a comprehensive region-wide trade cooperation framework.

93. Cooperation among the member countries and ESCAP has achieved a significant milestone in the coordinated development of highways in Asia, as well as between Asia and Europe, with the formulation of an intergovernmental agreement on the Asian Highway network. ESCAP has been negotiating routes and road specifications for the network since 1992. The Intergovernmental Agreement on the Asian Highway Network was signed by 23 member countries of ESCAP during the sixtieth session of the Commission (Shanghai, 26 April 2004) and will remain open for signature at United Nations Headquarters in New York, from 1 May 2004 to 31 December 2005.

Economic Commission for Latin America and the Caribbean

94. In preparation for the thirtieth session of the Commission and the ninth session of the Regional Conference on Women, ECLAC has been seized with two main substantive issues: productive development policies in open economies; and continuity, changes and emerging phenomena in the sociodemographic context.

95. The report prepared for the thirtieth session of the Commission (San Juan, Puerto Rico, 28 June-2 July 2004), analyses the historical patterns of growth in the region in relation to the restructuring of production sectors resulting from the profound reforms that have taken place, mainly increasingly open trade and liberalization of domestic financial markets and external capital flows.

96. The region has clearly made major advances, but it also continues to grapple with major difficulties. Greater control over internal macroeconomic disequilibrium, higher rates of export growth and the region's success in positioning itself as a major target for foreign direct investment are some of the more noteworthy achievements. Progress as regards economic growth, productivity and external vulnerability, however, has been frustratingly slow. The rates of growth not only remained low, but experienced significant fluctuations. Production linkages with dynamic activities are weak, and the increasing use of imported intermediate and capital goods by integrated production systems has undermined production chains and national innovation systems. As a result, the productivity gap with the developed world has not been reduced, and indeed grew wider in many countries and sectors.

97. From this critical analysis of the productive development policies implemented during the economic liberalization process of recent decades, it can be concluded that the region needs a medium- and long-term vision capable of guiding the efforts to strengthen production sectors in order to optimize its linkages with the global economy. In this regard the report puts forward some elements for achieving fuller integration into the global economy and returning to historical economic growth rates while ensuring greater social cohesion in the countries of the region. The core proposals include introducing more technology and know-how into all production chains and at the same time improving systemic competitiveness based on three fundamental pillars: the creation of innovation systems to speed up the accumulation of technological capacities; support for new productive activities and the formation of production linkages; and the provision of quality infrastructure services. Progress on all these fronts requires innovative public-private partnerships, based on shared strategic visions.

98. In preparation of the Commission session, the ECLAC sessional Ad Hoc Committee on Population and Development held an open-ended meeting of its presiding officers in March 2004. For this meeting, ECLAC prepared a document analysing the sociodemographic context in which countries of the region have been implementing the Programme of Action of the Regional Conference on Population and Development, which presents clear features of continuity, change and emerging phenomena.

99. A downward trend in the rate of population growth has gained strength in the region since the 1980s and because of the pattern and extent of the decrease in mortality and fertility rates, the ageing of the population, which was already evident in some countries in the 1980s, has become more accentuated and generalized in the

region, although most of the countries still have a relatively youthful structure. Even so, the sustained increase in the proportion of the working-age population has taken place at the expense of the relative size of the under-15 age group, resulting in a decline of the total dependency ratio in most countries. These trends underpin the notion of a "demographic bonus", a historic opportunity which manifests itself during the period in which the working-age population, measured as a percentage of the total population, reaches its peak. The resulting decrease in the dependency ratio translates into a reduction in the pressure on basic social services, such as education and mother and child health care. However, the dividends from this "bonus" are neither automatic nor easy, since it implies the reallocation of resources freed from social sectors — which might still need those resources for quality improvements — towards employment generation activities for the growing working-age population. Furthermore, owing to the heterogeneity of the demographic transition in the region, there are countries in which the "bonus" is now in its last stages and other countries in which it has yet to become evident.

100. International migration in the region has traditionally followed three patterns: extraregional immigration, which has been steadily decreasing; intraregional migration, whose intensity has also tended to decline over the past few decades; and extraregional migration, especially to the United States. However, a new pattern emerged during the 1990s, making Latin America the developing region with the highest proportion of emigrant women. Latin America continues to be the most urbanized region in the developing world; however, despite the rise in the value of commodities being produced for the international market, rural areas continue to exhibit clear lags in social indicators.

Economic Commission for Africa

101. The thirty-seventh session of the Commission, held in Kampala, Uganda from 21 to 22 May 2004, was convened under the theme "Mainstreaming trade policy in national development strategies". As was the case last year, the 2004 session was held consecutively with the annual meetings of the African Development Bank Group at the same venue. Building on last year's successful approach, this year's joint African Development Bank/ECA symposium focused on the theme "Gender, growth and sustainable development".

102. The failure of the Cancun WTO Ministerial Meeting on 14 September 2003 to reach consensus on modalities for negotiations on rich country agricultural trade barriers, export subsidies and domestic support policies has put Africa's relationship with the world trading system at a critical crossroad. African countries were important players in the negotiations at Cancun and must now chart a way forward based on a comprehensive assessment of the opportunities and challenges offered by the global and regional trading systems. Dismantling market distorting agricultural subsidies will require Africa to speak with a unified voice in WTO.

103. The virtues of free trade are now well known and widely accepted — African countries would be poorer if they turned their backs on world markets. Yet, it is bad economics to pretend that free trade is good for everyone, all the time. The reality is that trade often produces losers as well as winners. The accelerated pace of globalization means many economies will see more losers as well as winners. The Commission addressed such issues as what kind of social safety nets can best protect the losers from trade liberalization in the African context; what is the appropriate

fiscal response to declining trade taxes as African countries integrate into the regional and global markets; how can African countries improve their trade competitiveness; and what should African countries do to speed up export diversification to counter the downward trend in commodities.

104. Designing the appropriate policy response to these issues is a complex matter and will depend on country-specific circumstances. However, what is clear is that trade issues need to be better integrated into national development strategies. Ministers of finance and planning play a critical role in ensuring the coherence of overall development strategies. But often trade policy issues are not accorded the prominence they deserve. Fiscal policies often clash with the desire to create a vibrant export sector. Monetary policy may often be too tight to support the long-term viability infant industries. Regional integration agreements may wipe out entire sectors of an economy. Education and human development policies may not be conducive to creating a strong labour force. The issues of mainstreaming trade in national development strategies is an inter-ministerial one, touching on diverse governmental responsibilities and programmes. Acquiring deeper understanding of how trade policies can complement and reinforce policy actions across the board is an important step in achieving enhanced development results. Creating coherence in national development strategies will require the leadership of ministers of finance and planning, working closely with the ministers of trade.

105. African regional integration would stimulate diversification and closer integration into global markets. Although intra-African trade remains a small part of Africa's total trade, an integrated market offers the continent the best means to build up its manufacturing sector and to diversify its economy from primary products. Central to this integration scheme is fostering intra-African trade and unifying regional markets by removing trade barriers. However, success requires progress in improving infrastructure, particularly transport and communication as well as rationalization of many of the regional economic communities.

106. Another salient issue considered at the session was the outcome of the external review of the work of ECA, which had been requested by the Commission at its previous session.

Economic and Social Commission for Western Asia

107. ESCWA has been seized during the period under review with two important issues: (a) the region's instability and the serious repercussions of the situation in Iraq and Palestine; and (b) the complexity of the globalization process and the opportunities and challenges it poses for the region.

108. ESCWA took strategic initiatives to respond to the needs of the countries emerging from conflict, namely, Iraq, Palestine and Lebanon. It promoted brainstorming and dialogue on policies and strategies to be pursued in Iraq and possible courses of action to be followed. The Task Force on Iraq monitored the situation there, explored and examined approaches to manage the region's development under crisis conditions, analysed impacts and published this material on a dedicated web site. Regional specialists were convened to examine and extensively explore economic and social reconstruction issues. Other activities on Iraq included the establishment and development of a roster of Iraqi experts in various fields.

109. Similarly, ESCWA supported advocacy and policy dialogue on the rehabilitation and development of the Palestinian territories. ESCWA started a process that includes several meetings and workshops to mobilize Arab support for rehabilitation and development and that will culminate in an international Arab forum on socio-economic rehabilitation in the Palestinian territories (September 2004). A number of Lebanese villages in south Lebanon likewise benefited from rehabilitation initiatives of ESCWA, implemented in cooperation with other partners. These included the delivery of technical assistance to improve social and living conditions; training to improve skills in various areas and generate employment opportunities; assistance in the establishment of water supply projects; and assistance in the introduction of ICT in schools and of an e-caravan.

110. The ESCWA region so far has not coped well with the globalization process. Economic growth has been slow and the region's share in the global economy remains below its resource base and potential. The main underlying factor limiting the size and growth of gross domestic product in the region is the low level of investment — which has an inverse relationship with political instability. The integration of the ESCWA and Arab countries into the world economy remains at a slow pace, as a result of the external trade structure and trade policies.

111. According to the flagship publication "Annual review of developments in globalization and regional integration in the countries of the ESCWA region", there is a need for serious and intensified efforts to diversify exports. The development of trade in services represents a significant solution. There is a need to enhance the competitiveness of Arab exports in domestic and world markets. This implies that the Arab countries give increased consideration to different production variables, including productivity, trade policies, and quality and quantity control in order to confront future developments. The annual review offers an assessment of the manifestations of globalization in the Arab countries and the importance of expediting Arab regional integration and the means to that end.

112. ESCWA has provided substantial support to help its member States cope with and adapt to the multilateral trading system. Its mandate in this area extends beyond its membership to include all Arab countries. Eleven Arab countries acceded to WTO and five countries currently have observer status. Extensive policy advice provided by the secretariat assisted the member States in understanding the implications of WTO agreements and in preparing to join WTO by meeting its requirements. Support was also provided to member States that have joined WTO in the implementation of the relevant agreements. The Arabic documents on WTO issues published by ESCWA enabled Arab countries to follow closely developments in this regard.

113. The implications of WTO agreements on regional energy services, regional export competitiveness and intellectual property rights were addressed in a number of meetings organized for this purpose. ESCWA also provided advisory services and training workshops on the various aspects of the multilateral trade negotiations, particularly on trade in services and intellectual property rights.

114. The ESCWA-organized Arab Ministerial Meeting deliberated on issues discussed at Cancun and considered progress made in the Doha Development Agenda. The Ministerial Meeting was effective in coordinating positions of the Arab countries and enabled them to present a vision that reflected their priorities and concerns. The report of the meeting was issued later as a WTO document.

115. Regional cooperation and integration is considered as an effective way of helping to create an engine for greater economic growth and hence increase employment opportunities. It will also serve to instigate increased productivity and specialization in the region.

116. In its efforts to facilitate regional integration and encourage intraregional trade, ESCWA has been promoting various aspects of the Integrated Transport System in the Arab Mashreq. The development of road and railways agreements will result in the standardization of infrastructure specifications and signals across the region, ultimately leading to the facilitation of trade. The Road Agreement, the first to be signed under the auspices of ESCWA, came into force on 19 October 2003. The Railways Agreement was signed by eight countries. ESCWA has also underscored the importance of establishing national trade and transport facilitation committees, and five member States have already initiated steps to establish such committees with ESCWA assistance.

117. The Committee on Transport, at its fifth session in March 2004, agreed on a draft memorandum of understanding on maritime transport, moving a step further towards the development of an integrated transport system, covering the road, rail and maritime sectors.

The Millennium Development Goals

118. All five regional commissions are also focusing on how better to assist their member States' efforts to meet the commitments of the Millennium Development Goals. They work to support these goals and related targets, particularly those of the eradication of extreme poverty and hunger, of developing a global partnership for global development, of ensuring environmental sustainability and of promoting gender equality and women's empowerment. Their support to the Millennium Development Goals has taken several forms of research, policy analysis and advocacy, promoting policy dialogue through their intergovernmental forums, including the sharing of best practices, and the development of codes and indicators, as well as monitoring their implementation. For example, the work of ECE in promoting environmental sustainability includes the development of legislation, monitoring of its implementation and the assessment of achievements. The Commission serves as the secretariat for these legally binding instruments, which contain detailed commitments by countries to improve the environmental situation, many of which go further and into more detail than the Millennium Development Goals.

119. All five commissions are particularly seized with the issue of reliable and comparable statistical data, which is indispensable for analysing relevant information and for the formulation and implementation of policies to create an enabling context for reaching relevant targets by 2015. In this regard, ESCWA has been working with member countries and the specialized agencies of the United Nations in the region to provide support for reporting on Millennium Development Goals, in addition to compiling and disseminating Millennium Development Goal data. ESCAP, through its report on Promoting the Millennium Development Goals in Asia and the Pacific: meeting the challenges of poverty reduction (2003) has taken a broader view of the state of achievement in the region and the report indicates that the region is on course to meet one of the most fundamental targets — that of halving the proportion of people living on less than a dollar a day. ECLAC is

particularly concerned over the application of the Millennium Development Goals to the regional conditions, through fine-tuning or disaggregating each indicator or even through the definition of complementary ones. In addition, ECLAC has drawn attention to the major implications deriving from the acute and multidimensional inequities prevailing in the region for both the measurement of progress and for the formulation of policy. ECA has placed the Millennium Development Goals and support to the implementation of NEPAD at the centre of its work programme. Against the background of the enormous challenges in mobilizing adequate resources to finance the Millennium Development Goals, ECA convened a special session of its Big Table forum in Washington, D.C. in October 2003 to examine how best the policies and practices of the Bretton Woods institutions could contribute to Africa's efforts towards meeting the Millennium Development Goals. The discussions particularly emphasized the need for coherence between the policies of these institutions, the Millennium Development Goals and poverty reduction strategy papers.

IV. Interregional cooperation

A. Information technology for development: a regional perspective

Information and communication technologies and the digital divide

120. A growing concern among the developing countries is that, while the world is increasingly becoming globalized, in all regions significant gaps persist between and within countries in levels of progress in ICT development. Moreover, the world's poor could be even more marginalized in a knowledge-based globalized economy.

121. Of the 25 countries or economies listed as having "high access"[2] in the ITU Digital Access Index (DAI), published in 2003, none is from the ECLAC, ECA, or ESCWA regions. The index measures the overall ability of citizens to access and use information and communication technologies.[3] A more distressing fact is that, of the 55 countries listed as having "low access"[4] under the DAI ranking, as many as 38 are African. Of the rest, 10 are Asian or Pacific, 3 from the ECLAC region and 2 each from Central Asia and the ESCWA region. Even within countries, the "digital divide" is considerable. In many developing countries, the contrast can be quite dramatic, especially due to the large concentration of people still trapped in illiteracy or rudimentary education. In Asia, according to ESCAP, there is a troubling picture of an estimated 46 million children in South and East Asia who are still not enrolled in primary school — 11 years away from the deadline set in the Millennium Development Goals. In sub-Saharan Africa, the primary school enrolment ratio in school in 2001 was less than 60 per cent. Yet another dimension of the "digital divide" is the continuing inadequacy of women's participation, which is pervasive in all regions.

Regional scenarios

122. Policy development challenges posed by the "digital divide" are wideranging, and at the programme level each of the regional commissions reviewed its activities to ascertain how ICTs are affecting societies and people's lives in their respective regions. ECA, ESCAP and ESCWA have established specific subprogrammes devoted to this area and in the case of ECE, its related ICT activities took advantage

of its established expertise in trade, transport and trade facilitation, as well as in regional norms and standards setting. In ECLAC, the core ICT activities are pursued under the subprogramme "Productive, technological and business development". All of the commissions have been increasingly engaged in mainstreaming ICT. In addition to providing important regional inputs to the Geneva phase of the World Summit on the Information Society, the regional declarations adopted at the high-level regional meetings also provided blueprints for action in the respective regions for addressing the central issues for progress towards an information society.

ECE region

123. The ECE region includes many of the most digitally advanced countries, as well as countries in Central Asia with some of the lowest levels of ICT development in the world. There is evidence that the digital divide is widening. However, experience shows that this trend can be reversed. For instance, within only a few years of reaching political consensus among the major political parties to spend annually 0.2 per cent of its GDP on developing Internet access, especially in primary and secondary schools, Estonia has become a leader in Internet use.

124. The Bucharest Declaration of November 2002, in which ECE played a significant and catalytic role, set forth the fundamental principles and main strategic priorities for developing an inclusive knowledge-based economy and bridging the "digital divide". These principles are already reflected in several ECE regional and subregional activities. The ECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (the Aarhus Convention) actively promotes the principles and priorities of the Bucharest Declaration. Legislative proposals to implement this Convention were recently adopted by the European Commission.

125. ECE launched a series of e-assessment reports to help member States, especially those with economies in transition, move towards a knowledge-based economy. It is also encouraging regulatory convergence and approximation of norms and standards in the region. In the area of trade, ECE is working to facilitate electronic business, especially through standards for electronic data interchange (UN/EDIFACT), web-based standards and the integrated use of paper and electronic documentation (UNeDocs project). In the area of transport, ECE is examining new technologies known as Intelligent Transport Systems and introducing provisions on these new technologies into relevant ECE agreements and conventions to make transport more efficient, safer and more environmentally friendly.

126. During the period 2004-2005, ECE will assist countries willing to organize subregional meetings to promote implementation of the information society and to facilitate the exchange of best practices and policies among its member States. Kyrgyzstan has offered to host one of the subregional meetings, to be focused on the situation of the Central Asian and CIS countries, which will be jointly organized by ECE and ESCAP.

ESCAP region

127. Despite significant steps taken to expand the telecommunication infrastructure and liberalization of the telecommunication sector in most countries of the region, the goal of universal access has not been achieved. The diversity of the region and differences in the levels of development of its countries are also reflected in the

huge disparities in the key ICT development indicators. ITU data indicate that only 11 economies have teledensity above 25 per cent and Internet users ranging from 10 to 56 per cent of the population: 11 economies have teledensity between 10 and 25 per cent and Internet users ranging from 1 to 25 per cent of population; and 25 economies have teledensity below 10 per cent and Internet users ranging from .02 to 8 per cent of the population.[5]

128. Policies and measures to provide access to the general public, for example telephone/Internet kiosks run by franchises, have helped in providing access to the unconnected. Many countries have set up special school programmes for providing access to the Internet. As an example, in India, Shiksha-Net connects 6,700 schools to the Internet. Nepal is using radio-based distance education to train primary school teachers for ICT-based education. Many countries in the region are giving attention to providing broadband access and some of them are significantly raising their investment in the area by as much as three times more than the global average. E-commerce has flourished in the region during the past few years, substantially promoting trade in goods and services.

129. Guided by the Tokyo Declaration, the work of ESCAP in this field has been geared to providing support to countries for the development of cross-sectoral policies that enable them to take full advantage of the opportunities presented by ICT. It is promoting ICT applications in key sectors, through support for key national institutions. ESCAP is also facilitating flow of expertise from the region's relatively advanced countries to the less advanced countries. Coordination among the various regional partners is undertaken by an inter-agency working group set up at the initiative of ESCAP in August 2001.

ECLAC region

130. The focus in the region is not so much on production of the technology, but rather on its effective use. Since it is estimated that electronic transactions could make up as much as 20 per cent of the Latin American and Caribbean region's GDP in the near future, the transition to a digital economy represents a real opportunity to raise productivity levels in the region. ECLAC analysis of the relationship between Internet connectivity and per capita income shows that most countries in the region are below the statistical norm. Countries in Eastern Europe (such as Estonia, Slovenia or the Czech Republic) do not have much higher per capita incomes, but their connectivity rates are far higher.

131. ECLAC has underscored the fact that the internal "digital divide" in the region is more worrisome than the international one. The ECLAC region has the most unequal income distribution in the world. This inequality is reflected in its inhabitants' access to information technology. Especially among minority and marginalized groups (such as indigenous women), illiteracy rates are very high. According to ECLAC, the probability of having a computer in the household is five times higher for non-indigenous parts of society than it is for indigenous groups.

132. One of the most commonly used policies in the ECLAC region for dealing with the "digital divide" is based on the shared access model. In addition to public sector initiatives, there are a variety of business models for reducing the "digital divide". For example, the number of Internet users per Internet host is up to 14 times higher in Peru than in other ECLAC countries. The number of Internet users, including female users, in other countries is also rising fast. In Argentina, 45 per

cent of new users have been female. According to ECLAC, apart from the question of access in quantitative terms, the "digital divide" is also reflected in the quality of ICT use. Online transactions are still very limited in the region.

133. The intergovernmental seminars, expert meetings and regional workshops organized by ECLAC before the Geneva phase of the World Summit on the Information Society and since then to realize the Bavaro Declaration have supported the efforts by its member States to promote ICT for development. ECLAC also acts as a clearing house for national strategies, developing conceptual and methodological frameworks, and facilitating regional dialogue and the exchange of good practices.

134. ECLAC operates the Observatory on the Information Society in Latin America and the Caribbean (OSILAC). In close cooperation with partners worldwide, OSILAC is compiling ICT indicators for the region, seeks to centralize these data and works to standardize and harmonize ICT-related indicators across the region, in addition to constructing new indicators.

ECA region

135. Although in recent years a number of countries in Africa have introduced policies and strategies to harness ICTs to advance their socio-economic development, the continent still faces profound challenges of access of its population to digital opportunities. It was in this context that, during its reform process, ECA recognized these realities and, at its initiative, the Conference of African ministers responsible for economic and social development and planning adopted the African Information Society Initiative (AISI). The Organization of African Unity Heads of State Summit endorsed AISI in July 1996. A key component of AISI is the development of national e-strategies, or the National Information and Communication Infrastructure (NICI) plans. AISI is also a mechanism for achieving the Millennium Development Goals in Africa; seven of the eight Millennium Development Goals are addressed by the AISI framework.

136. ECA joins the African member States multilateral, bilateral and non-governmental partners, as well as representatives of the private sector in implementing AISI through e-policy formulation and implementation, development of knowledge resources, awareness-raising and outreach activities involving all major national stakeholders. It has provided support to over 28 African countries to develop their own NICI policies, plans and strategies. In October 1999, ECA organized the African Development Forum 1999 to bring the message of ICT within the context of globalization and the knowledge-based economy. AISI was reviewed during the Forum, from which, in addition to the NICI plans, the following initiatives were launched:

The SCAN-ICT project, which was piloted in six countries to measure the ICT penetration and its impact on socio-economic development. The project will be expanded to incorporate all the NICI countries to monitor NICI implementation and also implementation of the Millennium Development Goals; and

Awareness-raising for policy makers, parliamentarians, academia, the media and civil society organizations is spearheaded by the Information Technology Centre for Africa through on-site and mobile workshops and exhibitions,

which were supplemented by additional outreach products, such as the AISI Radio Series and AISI briefing papers.

137. In addition to its harmonization activities with the African Regional Economic Communities, AISI serves as the framework for coordination of the support that United Nations agencies provide to NEPAD. Under the NEPAD regional consultation meetings, the ICT cluster met in September 2003 to discuss the involvement of the United Nations agencies in the implementation of the NEPAD Short-Term Action Plan on Infrastructure. The subcluster also organized several forums in preparation for the Geneva phase of the World Summit on the Information Society.

138. An important vehicle for AISI partnership is the Partnership for Information and Communication Technologies in Africa (PICTA). ECA is also a leading member of the Global Knowledge Partnership and hosts the regional node of the United Nations ICT Task Force. As a major means of supporting the implementation of national e-strategies, ECA, in its capacity of regional node of the global e-Policy Resource Network, in collaboration with Industry Canada provides expertise, guidance and advisory services in areas such as e-commerce, legal and policy frameworks, telecommunications policy, e-government and connectivity issues. In recognition of the role of virtual libraries in development, ECA launched in 2001 the African Virtual Library Network.

139. The African regional preparatory conference for the World Summit on the Information Society, known as "Bamako 2002", which was coordinated by ECA, produced the Bamako Declaration used by various African stakeholders to make Africa's voice better heard during the Geneva process. As a follow-up to the Bamako Declaration, which provides a blueprint for regional follow-up of the first phase of the World Summit, ECA is assisting the African countries to prepare for the second phase of the Summit in Tunis in 2005. In that connection, it organized a meeting of the African ministers in charge of information society issues in Dakar, Senegal on 19 and 20 April 2004. ECA is also organizing a regional preparatory meeting for the Tunis Summit, to be hosted by Ghana from 2 to 4 February 2005.

140. The cooperation and coordination activities started between the various regional commissions during the Geneva phase will be strengthened during the Tunis phase and beyond to enable them to share experiences, learn from each other and build joint programmes.

ESCWA region

141. The ESCWA region has suffered from low levels of growth in general and a failure to keep pace with the information revolution in particular, largely as a result of the prevailing lack of political stability, wars, disputes and occupation. Wide disparities in income in the region also hinder progress. The average Internet penetration in the region, at 2.6 per cent is still very low compared to the world average of 10.5 per cent. Moreover, in view of the importance of content in a knowledge society, local content creation is a major asset. Hence, there is strong and urgent need to develop and promote original web content in Arabic. Arab Internet users were estimated at 0.9 per cent of Internet users worldwide in mid-2002, while people speaking the Arabic language represent about 5 per cent of world population.

142. Most ESCWA member countries are taking some steps to build national Internet capacity. Further, there are some successful regional connectivity solutions currently linking the area internally and with the rest of the world, such as the Fiber Optic Gulf network. Gateways are being set up as part of a decisive national strategy to increase connectivity and bandwidth availability. This is especially the case for Egypt and Yemen. Mobile communications are being increasingly liberalized. Some countries with higher penetration rates, such as the United Arab Emirates, have moved to e-learning web portals and multimedia as vehicles for awareness campaigns. In other countries, such as Syria and Egypt, Governments subsidize the provision of personal computer equipment to schools. The Gulf States and Jordan are implementing plans to connect all schools to the Internet. The United Arab Emirates Knowledge Village Initiative can be a model for the creation of a knowledge community that utilizes ICT and its applications in all domains, including education. Nonetheless, despite the importance of having a regional structure connecting the various national structures across the region, there are still no real plans for such a crucial strategic endeavour. The absence of a regional structure contributes to the high cost of connectivity, which is reflected in lower penetration rates of basic Internet services and delays the widespread dissemination of e-commerce and e-transactions.

143. The Beirut Declaration, currently under implementation by ESCWA, contained recommendations on key issues facing the region in the area of ICT, such as the formulation of national and regional ICT policies; enhancing ICT infrastructure; developing appropriate ICT indicators; implementing and standardizing e-government applications; promoting e-learning, e-health and e-business applications and tools; promoting digital content in Arabic; developing human capacity in ICT through training and education. ESCWA will cooperate with the relevant partners in the region in organizing a regional conference in Beirut from 28 to 30 September 2004 preparatory to the Tunis Summit.

The task ahead

144. At the regional levels, the World Summit on the Information Society has considerably raised awareness of the issues related to bridging the digital divide and the use of ICT as a tool for development by policy makers. Every effort should be made to remove obstacles to ICT implementation. Two of the most pressing issues identified in the World Summit Plan of Action are Internet governance and the financing of ICT for development. Together with their member States, the United Nations regional commissions should strive to develop concrete approaches for resolving these issues.

145. The regional commissions provide valuable platforms for general policy discussion and formulation and help countries develop policy guidelines, identify best practices and carry out cross-sectoral initiatives. They can also assist countries in developing national e-strategies as well as in the preparation of country readiness assessment reports and in defining targeted technical assistance programmes. One area, in particular, in which the regional commissions have expertise is the development of statistical indicators. The World Summit process has brought into focus the need for cooperation among the relevant organizations, both within and outside the United Nations system, and other partners for developing an adequate methodology for the measurement of selected indicators, as well as benchmarking and monitoring progress of implementation of the outcome of the Summit. Regional

Commissions have been cooperating with the United Nations ICT Task Force, the Statistical Commission of the Economic and Social Council, DESA, ITU, UNESCO, UNCTAD and OECD in this area. The regional commissions are also cooperating among themselves on a project, "Interregional partnership for promoting trade as an engine of growth through knowledge management and information and communication technologies", funded by them under the Development Account. This project will be implemented by all the commissions during the period 2004-2006. It is aimed at strengthening the international competitiveness as well as the negotiating capacity of developing countries by sharing knowledge on problems and prospects for trade promotion and diversification, trade facilitation policies and the use of ICT in supply chain management. In addition, the regional commissions are working together to prepare a "Handbook of ICT indicators" and a "Web-based prototype ICT system".

146. ICTs are not an end in themselves; rather they are a means towards achieving an information society, which is a multifaceted, multidimensional concept. For the developing countries, the primary appeal of ICTs lie in their development potential, which is inextricably interlinked with economic, social and cultural considerations. Thus, the most significant and valuable contribution that the regional commissions can make in support of their respective membership is by helping anchor their policy perspectives and analytical work relating to ICTs and the information society firmly on the socio-economic and cultural imperatives that are unique to each region/subregion and country. The commissions' in-house multidisciplinary capacities provide a unique opportunity to advance this objective.

B. Cooperation among the regional commissions

147. In its resolution 1998/46, annex III, the Council encouraged interregional cooperation and regular interaction between the regional commissions in order for them to share each others' best practices. Encouraged by the Council and, more recently, by the General Assembly, the regional commissions have intensified their cooperation in a number of areas during the period under review. Some of the joint projects undertaken are funded by the Development Account. These primarily focus on capacity-building in their respective member countries, particularly for the implementation of the Millennium Development Goals and the commitments of United Nations conferences and summits. More and more, these projects have sought to address cutting-edge issues in development, such as ICT capacity-building; sustainable management of natural resources and their efficient use; trade facilitation and electronic business; capacity-building for managing globalization; and promoting new technologies for employment and poverty alleviation. Several of these joint projects have among their objectives the exchange of experiences and good practices for promoting intercountry and subregional cooperation or cooperation between the regions. For instance, the joint ECE/ESCAP project to promote rational and efficient use of energy and water resources in the economies of Central Asia resulted in the creation of a bilateral commission on the Chu and Talas Rivers between Kazakhstan and Kyrgyzstan, which attracted support from Sweden, the United Kingdom and OSCE.

1. Transport and transport facilitation

148. Cooperation between the regional commissions in the area of transport and transport facilitation continues to improve, especially with regard to joint projects that are being jointly executed, such as "Capacity-building through cooperation in developing interregional land and land-sea transport linkages".

149. ESCWA introduced the above-mentioned project at the second International Euro-Asian Road Transport Conference, held in Tehran on 6 and 7 October 2003. Focal points were identified for the preparation of country reports and ESCWA has received thus far the national reports from Jordan, the Syrian Arab Republic, Kuwait and Saudi Arabia. Because of the prevailing conditions in both Iraq and Palestine, it is not currently possible for their reports to be prepared. ESCAP and ECE introduced the project at the third International Euro-Asian Conference on Transport, held in St. Petersburg, Russian Federation, on 11 and 12 September 2003, and at the seminar on Transport Infrastructure Development for a Wider Europe, jointly organized by the European Conference of Ministers of Transport, the European Commission, ECE and the European Investment Bank, which took place in Paris, in November 2003.

150. ECE and ESCAP have received nominations for focal points from Armenia, Azerbaijan, Belarus, Georgia, the Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, Romania, the Russian Federation, Tajikistan, Turkey and Ukraine. Nominations are pending from Afghanistan, Bulgaria, Moldova, Turkmenistan and Uzbekistan, as well as from the World Bank, the European Bank for Reconstruction and Development and the Asian Development Bank.

151. ECA has finalized the terms of reference for the national consultants and is in the process of recruiting them. ECA jointly organized with the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States a meeting on Transit Transport Cooperation, from 5 to 7 May 2003. The meeting adopted a list of the main corridors in sub-Saharan Africa, which represent the well-established, historical routes in the region and form the backbone for intraregional, intercontinental and domestic trade.

152. In preparation for convening an expert group meeting in September 2004 on the development of interregional linkages, ESCWA has prepared the terms of reference for the regional consultants who will make presentations on interregional linkages. The first Interregional Workshop on Euro-Asian Transport Linkages was held in March 2004 in Almaty, back to back with the ninth session of the Special Programme for the Economies of Central Asia (SPECA) Project Working Group on Transport and Border Crossing Facilitation, with the lead country of the Project Working Group, Kazakhstan.

2. Trade facilitation

153. The regional commissions have continued their well-established cooperation in the field of trade facilitation. In 2004, further consultations between them have taken place on a joint project, "Interregional partnership for promoting trade as an engine of growth through knowledge management and information and communication technologies", to be funded from the Development Account.

154. In connection with the International Ministerial Conference of Landlocked and Transit Developing Countries, held in Almaty on 28 and 29 August 2003, ECE organized a parallel event on trade facilitation in which ESCAP, ECA and ECE participated. The event was supported by a report prepared by ECE: "From analyses to implementation — introducing trade and transport facilitation measures in an integrated framework". The Executive Secretaries of ECE and ESCAP gave two keynote presentations focusing on the need for trade facilitation and an integrated approach to transport solutions for landlocked countries.

155. Practical bilateral cooperation between the regional commissions has also taken place. Representatives of ECE participated in trade facilitation events with ESCAP in Bangkok and with ESCWA and UNDP in Damascus. In Bangkok, the meeting worked on a document for a "Proposed step-by-step methodology to identify problems related to trade facilitation". In Damascus the event focused on promoting trade facilitation and electronic business in the Arab region.

3. ECE/ECA/ESCWA cooperation in the Mediterranean

156. ECE, ECA and ESCWA are cooperating in the field of water management. In this connection, substantial experience with management tools for monitoring, assessment and management of internationally shared groundwaters is available at the regional level, especially within ECE. In the Western Asia region, ESCWA has been involved in various aspects of inter-State cooperation in the management of shared aquifers, and is planning to introduce a framework convention for groundwater management in the region.

157. With ESCWA as the lead party, ECE will participate in a project with the objective of strengthening the capacity of water management institutions in the Mediterranean region to implement sustainable forms of utilization, management and protection of internationally shared groundwater resources. The project will contribute to water sustainability and the availability of water for drinking and food production, contributing to the promotion of the Millennium Development Goals on access to safe drinking water supplies and poverty and hunger eradication.

Capacity-building in trade facilitation and electronic business in the Mediterranean region (e-Med)

158. The e-Med Business project, funded from the Development Account, is a joint ECE, ECA and ESCWA project which provides capacity-building in trade facilitation and electronic business in the Mediterranean region. It aims at an integrated approach for simplifying trade procedures in the region, using internationally agreed recommendations, norms and standards. The project focuses on trade facilitation issues in the non-European Union Mediterranean countries, members of ECE, ESCWA and ECA. In addition, the programme addresses capacity-building and technical cooperation projects for the implementation of ECE recommendations through the UNeDocs project.

159. In the ESCWA region, following the completion of national studies, a national workshop will take place in each participating country, starting with Jordan, followed by a regional workshop and a regional seminar. In tandem with the e-Med project, ESCWA is promoting the creation of committees on trade and transport facilitation in member countries, in order to put in place a framework for ongoing

consultation and cooperation between the public and private sector stakeholders in the field of trade facilitation.

160. The ECA regional seminar in Morocco brought together country managers and representatives of the public and private sectors of Algeria, Morocco and Tunisia, as well as a trainer from the Ecole Supérieure de Commerce, Grenoble. The seminar stressed the importance of promoting the supply chain management concepts, sensitizing on and promoting United Nations Trade facilitation and e-business standards, including success stories in developing countries. The national seminars in Algeria and Tunisia identified that there is no "one-size-fits-all" trade facilitation and e-business strategy. Representatives of government agencies and the private sector requested ECA and ECE to further explore possibilities for providing effective technical assistance to implement national trade facilitation recommendations.

4. Special Programme for the Economies of Central Asia

161. Since 1998, ESCAP and ECE have been working jointly within the framework of the Special Programme for the Economies of Central Asia (SPECA), which is aimed at strengthening capacities of the Central Asian countries, which include Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. The process of cooperation in each of the priority areas has been steered by the relevant project working groups (PWG-Transport, PWG-Energy and PWG-Tajikistan) with Kazakhstan, Kyrgyzstan and Tajikistan, respectively, as the lead country for each group.

162. The project working group for transport held its ninth session in Almaty, Kazakhstan, on 12 and 13 March 2004, back to back with the first Expert Group Meeting on Developing Euro-Asian Transport Linkages. At this session, the working group discussed the implementation of the Action Programme for Transit Transport Cooperation for SPECA Countries as part of the follow-up to the International Ministerial Conference, held in Almaty in August 2003.

163. Under the auspices of the working group for energy, ECE and ESCAP successfully implemented a US$ 1.75 million Development Account project on rational use of energy and water resources in Central Asia over the period 2000-2003. The major outcome of the project was the formulation of the Cooperation Strategy to Promote the Rational and Efficient Use of Water and Energy Resources in Central Asia, approved in Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan. As a follow-up to the adoption of the Strategy, ECE and ESCAP, jointly with OSCE, have been providing support to Kazakhstan and Uzbekistan for the establishment and operationalization of their bilateral commission on the Chu and Talas rivers.

164. The International Economic Conference on Tajikistan in the Context of Central Asia took place in Dushanbe, Tajikistan in April 2003. The Conference approved a number of policy documents, including the Strategy of Subregional Economic Cooperation in Central Asia, aimed at strengthening cooperation among Central Asian countries in such areas as macroeconomic management, international trade and foreign direct investment. ESCAP is expected to undertake follow-up activities to the International Economic Conference, in close cooperation with the Government of Tajikistan.

165. To renew the efforts and dialogue with the Central Asian countries in order to engage them fully in the process of cooperation under SPECA, the United Nations Secretary-General has, through his letter of 25 February 2004 to the Presidents of SPECA member States, defined SPECA as a Central framework for mobilizing and coordinating United Nations activities aimed at supporting the development goals of the countries of the subregion, encouraged the member States to participate more actively in SPECA activities. The Secretary-General has also suggested that the Executive Secretaries of ECE and ESCAP jointly visit all SPECA countries in order to discuss with the respective country's authorities how to further strengthen the Programme. Action is being taken to arrange the proposed visits over the next few months.

166. Within the framework of a project entitled "Promoting sustainable energy development partnerships for implementation of the Kyoto Protocol in the Asian and Pacific region", funded by the Government of Japan, ESCAP organized a workshop in Bishkek in April 2004, to promote a clean development mechanism in Central Asia. The workshop was attended by representatives of Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

5. ECE/ESCAP cooperation in the field of energy

167. ESCAP is cooperating with ECE on the fourth tranche of the Development Account project entitled "Capacity-building for air quality management and the application of clean coal combustion technologies in Central Asia", for which ECE is the lead agency. This project builds on the cooperation between ESCAP and ECE on the project on energy and water efficiency in Central Asia implemented in 2000-2003. ESCAP will participate in the energy portion of the new project, in particular in the series of three seminars to be organized under Work Package 5 of the project on "Strengthening of sustainable energy policies and energy pricing reforms". In addition, ESCAP and ECE cooperated on the United Nations Foundation supported project "Energy efficiency investment project development for climate change mitigation" in 2000-2003.

168. The five regional commissions participated in the meeting of the Ad Hoc Group on Energy on 14 and 15 April 2004 at FAO Headquarters in Rome, organized by the High-level Committee on Programming to agree on the terms of reference for system-wide collaboration in the area of energy. The commissions met before that meeting to explore how best to present the regional perspectives to the meeting and to consider future interregional joint activities.

6. Statistics

169. Statistical capacity-building and keeping pace with developments in this field have an important bearing on the work of the regional commissions on various substantive issues. In view of their comparative advantage in this area, it is appropriate that they cooperate on statistics.

170. During the period under review, on gender statistics ECE, ECLAC and ESCWA exchanged information on the development, structure and content of databases and efficiently shared tools. In continuation of this cooperation, the regional commission intend to collaborate to identify a common set of basic indicators which will be the statistical framework for the regional reports to be submitted to the 10-year review of the Beijing Platform for Action. ECE, ESCAP

and ESCWA jointly made inputs into the process of preparation of the report of the Secretary-General on the implementation of the United Nations Millennium Declaration and participated in the working group to review indicators for gender equality and empowerment of women.

171. Furthermore, the regional commissions pooled efforts in the field of health statistics and particularly disability statistics. ESCAP coordinated with ECE and ESCWA its plans to develop a training guidebook on disability statistics and the three regional commissions approached WHO in a coordinated way in order to facilitate further cooperation.

7. Gender equality

172. All the regional commissions are collaborating to develop gender indicators for monitoring the progress achieved in implementation of the Beijing Conference, as well as to link these indicators to the Millennium Development Goals. ECLAC is the lead agency in this exercise, and its database allows for the members of the Inter-agency Network on Women and Gender Equality to provide data required for system activities within the context of the Millennium Declaration.

173. Under a Development Account project, ESCWA is collaborating with ECA in capacity-building of national machineries for women, which will be replicated in the Arab region. There are also plans to execute a joint project on women with common cultures in ESCWA, ECE (Eastern European countries), ESCAP (Muslim countries) and ECA (Muslim and Arab countries).

174. All of the regional commissions are preparing to contribute to the ten-year review of the Beijing Platform for Action and to provide the necessary regional inputs to the process. In that connection, a meeting was held in Paris in July 2003 between the Division for the Advancement of Women and the Office of the Special Adviser on Gender Issues and Advancement of Women and the five gender focal points of the regional commissions for the purpose of collaboration and consultation on a questionnaire sent to member States in preparation for regional meetings for Beijing + 10.

8. World Summit on the Information Society

175. The regional commissions recognized early the need for integrating an information and communication technologies (ICT) dimension into the development process of countries in their respective regions and to mainstream an information society perspective in their overall work. This prompted ECA, ESCWA and ESCAP to establish specific subprogrammes devoted to ICT for development, while ECLAC and ECE took advantage of existing subprogrammes to give focused attention to the needs of their member States in this area. Their early initiative enabled the commissions to assist the countries in the preparatory process for the first phase of the World Summit on the Information Society, held in Geneva in December 2003. In addition, the regional preparatory meetings organized by the commissions, in close cooperation with other regional stakeholders, in their respective regions provided important regional inputs to the Geneva phase of the World Summit, while also resulting in the adoption of specific regional action plans for addressing the core issues for promotion of the Information Society. Since then, the regional commissions have been utilizing the momentum gained to implement the

recommendations of the Geneva phase of the Summit, on the one hand, and their respective regional blueprints for action, on the other.

176. The regional commissions are now preparing to organize appropriate regional and/or subregional meetings, with the involvement of other relevant stakeholders, to enable their respective member States to participate effectively in the second phase of WSIS, to be held in Tunis next year. They are also coordinating their relationship with the secretariat for the Tunis phase of the World Summit through nominating ECA as their focal point, following the rewarding experience gained from a similar arrangement for the Geneva phase when ECE served as their focal point.

177. The regional commissions have taken advantage of close interaction among their respective secretariats during the process leading up to the Geneva phase of the Summit to forge greater substantive cooperation among themselves and to benefit from each others' experiences and good practices. They have also undertaken specific initiatives to promote interregional cooperation for the joint publication of an ICT handbook, the preparation of an appropriate joint project for funding by the next (fifth) tranche of the Development Account, as well as the development of ICT indicators, in cooperation with other relevant partners. In this spirit, ECLAC participated on behalf of the regional commissions at a meeting of relevant international organizations, hosted by OECD in Paris on 29 April 2004. The meeting agreed to invite the regional commissions to be partners in the Partnership on Measuring ICT for Development, which currently consists of UNCTAD, ITU, OECD and the UNESCO Institute for Statistics. The Partnership is an opportune mechanism for the organizations concerned to continue their joint efforts in the area of ICT statistics and indicators, to coordinate technical cooperation activities in developing countries and to mobilize funds through a coherent approach vis-à-vis the donor community. The partnership will also provide a framework for the organization of the "global summary meeting" in early 2005. This meeting was proposed by the joint ECE/UNCTAD/ITU/OECD/Eurostat Workshop on Monitoring the Information Society (8-9 December 2003), which was organized as a side event at the World Summit in Geneva. Further, the Paris meeting agreed to set up a geographical division of labour for data collection, in which ECA, ECLAC, ESCWA and ESCAP will be called upon by OECD to assist it in obtaining the relevant missing data for their respective regions.[6]

9. Programme planning

178. In the context of result-based budgeting and the new guidelines for preparation of the Medium-Term Plan (MTP), the chiefs of programme planning in the regional commissions held a joint meeting from 10 to 12 September 2003, hosted by ESCAP in Bangkok. The objective of the meeting was to enhance cooperation among the commissions, with a view to promoting greater exchange of good practices in different areas of programme planning, budgeting, monitoring and evaluation. Such cooperation would ensure greater coherence in programme planning between the regional and global entities through providing greater clarification of the respective roles and responsibilities of these entities.

179. The programme planning chiefs reviewed several issues, including the need to further fine-tune the various elements of the logical framework approach as a basis for results-based budgeting taking into account the particularities of each regional commission; the need to fit all activities of the commissions, both core and

extrabudgetary project-related, within the results-based budgeting logical framework and to ensure the link between activities and expected accomplishments.

180. The programme planning chiefs also agreed that interregional cooperation should be reflected in the overview of the Medium-Term Plan and the regional commissions should collaborate in presenting interregional cooperation activities in the programme budget. In that regard, they recommended that possibilities for interregional cooperation involving the five commissions be explored in several important areas of work, such as social indicators; poverty reduction assessment; new and renewable energy; and urbanization and environment. The programme planning chiefs also underscored the necessity of reflecting cooperation and joint work in the programme budget of each regional commission and the global entities concerned, in line with the guidance provided by the Economic and Social Council and the follow-up recommendations to that effect by the Executive Secretaries at the Executive Committee on Economic and Social Affairs. The thematic groups established by the Committee should facilitate this in the preparation of future programme budgets.

Notes

[1] See also the report of the Secretary-General on integrated and coordinated implementation and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields (E/2004/65).

[2] High access countries or economies: Sweden, Denmark, Iceland, Republic of Korea, Norway, Netherlands, Hong Kong (China), Finland, Taiwan (China), Canada, United States of America, United Kingdom, Switzerland, Singapore, Japan, Luxembourg, Austria, Germany, Australia, Belgium, New Zealand, Italy, France, Slovenia, Israel.

[3] It is based on five areas: availability of infrastructure, affordability of access, educational level, quality of ICT services and Internet use.

[4] Low access countries: Zimbabwe, Honduras, Syria, Papua New Guinea, Vanuatu, Pakistan, Azerbaijan, Sao Tomé and Principe, Tajikistan, Equatorial Guinea, Kenya, Nicaragua, Lesotho, Nepal, Bangladesh, Yemen, Togo, Solomon Islands, Uganda, Zambia, Myanmar, Congo, Cameroon, Cambodia, Lao People's Democratic Republic, Ghana, Malawi, Tanzania, Haiti, Nigeria, Djibouti, Rwanda, Madagascar, Mauritania, Senegal, Gambia, Bhutan, Sudan, Comoros, Côte d'Ivoire, Eritrea, Democratic Republic of the Congo, Benin, Mozambique, Angola, Burundi, Guinea, Sierra Leone, Central African Republic, Ethiopia, Guinea-Bissau, Chad, Mali, Burkina Faso, Niger.

[5] Data source: ITU *Regional Road Map Towards an Information Society in Asia and the Pacific*, annex I, table 1. "Asia-Pacific region telecommunication development statistics".

[6] See also section IV.A of the present report.

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Regional cooperation in the economic, social and related fields

Report of the Secretary-General

Addendum

Matters calling for action by the Economic and Social Council or brought to its attention

Summary

The present addendum to the report of the Secretary-General on regional cooperation in the economic, social and related fields contains resolutions and decisions adopted at the sessions of the regional commissions in the first half of 2004, when four of the five regional commissions held their regular sessions: the Economic Commission for Europe held its fifty-ninth session in Geneva from 24 to 26 February; the Economic Commission for Asia and the Pacific held its sixtieth session in Shanghai from 22 to 28 April 2004; the Economic Commission for Latin America and the Caribbean held its thirtieth session in Puerto Rico from 28 June to 2 July 2004; and the Economic Commission for Africa held the thirty-seventh session of the Conference of African Ministers of Finance, Planning and Economic Development in Kampala on 21 and 22 May 2004. Given that the Economic Commission for Latin America and the Caribbean is holding its thirtieth session in late June and early July, any resolutions and decisions emanating from that session and requiring action by the Council or brought to its attention will be included in addendum 2 (E/2004/15/Add.2).

* E/2004/100 and Corr.1 and 2.

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Contents

		Paragraphs	Page
I.	Matters calling for action by the Council	1–2	3
	A. Economic Commission for Europe	1	3
	B. Economic and Social Commission for Asia and the Pacific	2	3
II.	Matters brought to the attention of the Council	3–9	12
	A. Economic Commission for Europe	3–7	12
	B. Economic Commission for Africa	8–9	13

I. Matters calling for action by the Council

A. Economic Commission for Europe

1. At its fifty-ninth session, the Economic Commission for Europe (ECE) endorsed the following decision adopted by the ECE Committee on Sustainable Energy at its thirteenth session, which it proposed for approval by the Council:

Draft decision
United Nations Framework Classification for Fossil Energy and Mineral Resources

The Economic and Social Council,

Recalling its decision 1997/226 of 18 July 1997, welcomes the endorsement by the Economic Commission for Europe of the United Nations Framework Classification for Fossil Energy and Mineral Resources and decides to invite the Member States of the United Nations, international organizations and regional commissions to consider taking appropriate measures for ensuring worldwide application of the Framework Classification. The Council notes that this new classification for fossil energy and mineral resources, which now includes energy commodities (for example, natural gas, oil and uranium), is an extension of the earlier framework developed for solid fuels and mineral commodities, on which the Council took similar action in 1997 upon endorsement and recommendation by the Economic Commission for Europe.

B. Economic and Social Commission for Asia and the Pacific

2. At its sixtieth session, the Economic and Social Commission for Asia and the Pacific (ESCAP) approved the following draft resolutions for adoption by the Council:

Draft resolution I

The Economic and Social Council,

Endorses the Shanghai Declaration adopted by the Economic and Social Commission for Asia and the Pacific at its sixtieth session, as set out in the annex.

Annex

Shanghai Declaration

I. General provisions

1. We, members and associate members of the Economic and Social Commission for Asia and the Pacific, on the occasion of the historic sixtieth session of the Commission, express our deep appreciation to the Government and citizens of the People's Republic of China for hosting the present session in Shanghai, the birthplace of the Commission, and to the government and citizens of Shanghai municipality.

2. We reiterate our commitment to multilateralism and to addressing global issues through dialogue, consultation and cooperation.

3. We reaffirm that the United Nations has a central role in promoting international cooperation for development and in promoting policy coherence on global development issues, including in the context of globalization and interdependence.

4. We support further reform of the United Nations with a view to promoting its important role in peace and development and in establishing a cohesive and effective system for responding to global threats and challenges, as well as enhancing the effectiveness of the United Nations through increased coordination and cooperation between the various agencies and their programmes within the United Nations system.

5. We note the diversity in the levels of development of countries and areas of the Asian and Pacific region and the special needs of the least developed economies, landlocked and island developing economies, and economies in transition.

6. We emphasize the Commission's unique role as the most representative body for the Asian and Pacific region and its mandate as the main general economic and social development centre within the United Nations system for the Asian and Pacific region.

7. We reaffirm our determination to strengthen further the role, capacity and efficiency of ESCAP to respond more effectively to the needs of its members and associate members and to existing and new global challenges.

8. We welcome the achievements of the region in economic and social development, including progress made in achieving the internationally agreed development goals, including those contained in the United Nations Millennium Declaration, adopted by the General Assembly in its resolution 55/2 of 8 September 2000, and the outcomes and final documents of major United Nations summits and international conferences.

9. We renew our commitment to enhancing subregional and regional cooperation and remain conscious of the need to further improve national capacities in order to promote sustainable development in the Asian and Pacific region.

10. In this context, we acknowledge the importance of the main theme of the Shanghai session, "Meeting the challenges in an era of globalization by strengthening regional development cooperation".

11. We reaffirm that South-South cooperation, South-North cooperation and triangular cooperation play important roles in promoting development and contribute to the achievement of the internationally agreed development goals, including those contained in the Millennium Declaration.

12. We note that globalization offers opportunities and challenges to the world, particularly for the developing countries, and that it is only through greater economic growth coupled with broad, sustained and collaborative efforts that globalization can be made fully inclusive and equitable so that the poor are not left behind. At the same time, the benefits of globalization can be realized only when environmental pressure from the impact of globalization is properly addressed through strengthened common strategies in the Asian and Pacific region.

13. We welcome the conclusion and holding of the signing ceremony of the Intergovernmental Agreement on the Asian Highway Network and the inaugural session of the Asia-Pacific Business Forum, and look forward to the first meeting of the Ministerial Council of the Asia-Pacific Trade Agreement as part of the efforts to strengthen the development of infrastructure and foster closer trade relations within the region. We reaffirm the importance of focusing ESCAP work on its three thematic areas: poverty reduction, managing globalization and addressing emerging social issues.

II. Poverty reduction

14. In the area of poverty reduction, we will strive:

(a) To maximize the contribution of economic growth in reducing poverty and hunger, by consolidating successes and facilitating the sharing of best practices, with a view to halving, by 2015, the proportion of people suffering from poverty and hunger, thus making the region a forerunner in the global campaign against poverty;

(b) To implement policies aimed at engendering confidence in the operation of markets to assist in the creation of a favourable business environment;

(c) To emphasize the importance of according priority to the fight against hunger and poverty and, in this context, put in place the necessary policy and institutional framework and implement programmes that are designed to overcome hunger and poverty;

(d) To encourage the efficient utilization of existing financial, physical and human resources and the involvement of all stakeholders, including Governments, international organizations, international and regional development and financial institutions, donors and civil society, to achieve the internationally agreed sustainable development goals, including those contained in the Millennium Declaration;

(e) To eliminate corruption at all levels, in that regard welcoming the adoption of the United Nations Convention against Corruption and inviting all member States to sign and ratify it as soon as possible in order to ensure its rapid entry into force.

III. Managing globalization

15. In the area of managing globalization, we will strive:

(a) To address the regional and interregional aspects of the follow-up to the Monterrey Consensus of the International Conference on Financing for Development;

(b) To revitalize the multilateral trading system, taking into account the importance of promoting the objectives set out in the Millennium Declaration of ensuring an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system;

(c) To work towards a successful, timely and development-oriented conclusion of the Doha negotiations;

(d) To take action to enable those countries in the region that are not yet members of the World Trade Organization to accede to it in order to participate more effectively in the multilateral trading system;

(e) To strengthen national capacities to negotiate, conclude and implement multilateral and regional agreements designed to promote interregional and intraregional trade and investment flows;

(f) To implement, in a timely fashion, the various regional and subregional economic cooperation initiatives in promoting trade and investment, with a view to expanding economic interaction and promoting stable growth and prosperity for the entire region;

(g) To mobilize investment from domestic and foreign resources by strengthening and developing domestic financial systems and creating an enabling environment;

(h) To advance current efforts to reform the international financial architecture as envisaged in the Monterrey Consensus and promote the effective participation of developing countries and countries with economies in transition in those efforts;

(i) To take action at the regional level to ensure the effective implementation of and follow-up to the outcomes of the World Summit on Sustainable Development, including the Johannesburg Plan of Implementation, in which some of the salient features of the Phnom Penh Regional Platform on Sustainable Development for Asia and the Pacific were reflected, to move the region towards a more sustainable path to development, with the developed countries taking the lead and with all countries benefiting from the process, taking into account the principles of common but differentiated responsibilities, while taking note of the recent follow-up activities, including the Kyoto Ministerial Declaration and the Jeju Initiative;

(j) To make the next ten years a decade of economic growth and sustainable development in the region, striving to meet the various internationally agreed goals;

(k) To undertake regular studies and analyses of regional environmental trends, strengthen national capacities for protecting the environment consistent with national commitments and support regional and subregional environmental cooperation;

(l) To assist in capacity-building, formulation and implementation of strategies and action plans for the sustainable use of water resources with a special focus on problems of water quality and access to safe drinking water for the poor;

(m) To promote capacity-building in sustainable energy development, enhanced utilization of renewable energy and energy efficiency improvement and to support subregional cooperation in energy sector development;

(n) To develop an integrated intermodal transport network in Asia and the Pacific as well as Asia-Europe transport corridors;

(o) To implement the Plan of Action adopted at the first phase of the World Summit on the Information Society, held in Geneva in December 2003, and take action to achieve the objectives of the World Summit as enunciated in the Declaration of Principles and Plan of Action adopted at the first phase, and to prepare for the second phase in 2005, paying special attention to least developed

countries, landlocked developing countries, small island developing States and countries with economies in transition;

(p) To promote regional cooperation and effective integration of satellite-based information and communication technology applications with other information technologies for informed sustainable economic and social development planning and management and improved quality of life;

(q) To promote the development of transport and tourism in the region so as to provide opportunities for increased national, regional and international trade and better access to health and education services, and to promote cultural exchanges.

IV. Emerging social issues

16. In the area of emerging social issues, we will strive:

(a) To promote social policy development and the mainstreaming of social dimensions in national development programmes;

(b) To improve the development and delivery of basic social services, such as education, health and nutrition, focusing on vulnerable population groups;

(c) To enhance cooperation in capacity-building in public health, inter alia through the exchange of information and the sharing of experience, as well as research and training programmes focusing on surveillance, prevention, control, response, care and treatment in respect of infectious diseases;

(d) To coordinate a more effective and comprehensive response to HIV/AIDS and other serious diseases in the region by prioritizing effective strategies against them in national development planning, committing sufficient resources, mobilizing the private sector and civil society, enhancing sustained and comprehensive intervention and strengthening regional cooperation in establishing preventive measures and increasing the availability of affordable quality drugs;

(e) To foster an integrated social safety net, and particularly to establish a social safety net which provides necessary assistance to the unemployed, the poor and senior citizens, as well as other vulnerable groups;

(f) To promote and support gender equality and eliminate discrimination against women;

(g) To promote human security in the region through greater regional cooperation, especially for vulnerable people;

(h) To support and encourage the active participation of all relevant stakeholders, including the business community, for the promotion of social development.

V. Overarching issues

17. On overarching issues, we will strive:

(a) To fully implement the Monterrey Consensus;

(b) To promote regional cooperation by inviting the United Nations regional commissions, in collaboration with other regional and subregional organizations and processes, as appropriate, to contribute, within their mandates, to the review of

progress made towards achieving the internationally agreed development goals contained in the Millennium Declaration, which synthesizes and prioritizes the key elements of major international conferences held in prior years, and to provide input to the discussions of the Economic and Social Council on the cross-sectoral thematic issues to be addressed during the coordination segment of its substantive session, in accordance with the rules of procedure of the Council;

(c) To intensify our efforts to implement effectively in the Asian and Pacific region the International Plan of Action for the United Nations Literacy Decade;

(d) To implement the Programme of Action for the Least Developed Countries for the Decade 2001-2010 and the Almaty Plan of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries;

(e) To promote initiatives for the least developed countries in the context of South-South cooperation by implementing projects that address the special needs of those countries;

(f) To support the Programme of Action for the Sustainable Development of Small Island Developing States and work towards a positive outcome at the review of the implementation of the Programme of Action in Mauritius;

(g) To strengthen and support the implementation of the United Nations Special Programme for the Economies of Central Asia;

(h) To encourage the establishment of a regional network of research institutions and universities in the Economic and Social Commission for Asia and the Pacific region by 2006 in order to promote education, technical skills development and technology transfer through the exchange of programmes, students and academics.

VI. Strengthening of ESCAP

18. We reaffirm the vital role of ESCAP in fostering sustainable economic and social development in Asia and the Pacific.

19. We request the Executive Secretary to design programmes, within the existing mandate and resources of ESCAP, that reflect the overall vision contained in this Declaration, to present the programme of work for endorsement by the Commission and to report on these matters to the Commission at future sessions.

20. We resolve, therefore, to support efforts by the Executive Secretary to mobilize and make effective use of additional financial and in-kind resources in support of ESCAP activities and for the further revitalization of ESCAP in line with the needs and priorities of its members and associate members.

21. We also request the Commission to review on a regular basis the progress made in implementing the provisions of the present Declaration.

Draft resolution II
Work of the Economic and Social Commission for Asia and the Pacific in implementing its technical cooperation projects

The Economic and Social Council,

Recalling its resolution 37 (IV) of 28 March 1947, by which the Council established the Economic and Social Commission for Asia and the Pacific, and in particular paragraphs 1 (d) and (e) of that resolution, regarding advisory services and technical assistance,

Also recalling General Assembly resolution 32/197 of 20 December 1977, through which the Economic and Social Commission for Asia and the Pacific was mandated to serve as the main general economic and social development centre within the United Nations system for the Asian and Pacific region and as an executing agency for intersectoral, subregional, regional and interregional projects,

Cognizant of the scope of the responsibilities of the Economic and Social Commission for Asia and the Pacific, the domain of which comprises the largest region in the world in geographical coverage and contains 62 per cent of the world's population, as well as the majority of the world's poor,

Aware of the focus of the work of the Commission on three key thematic areas, namely, poverty reduction, managing globalization and addressing emerging social issues,

1. *Recognizes* with appreciation that the Economic and Social Commission for Asia and the Pacific has been implementing a number of technical cooperation projects that strengthen the capacity of Economic and Social Commission for Asia and the Pacific members and associate members in the development and implementation of policies and programmes in economic and social fields;

2. *Expresses its appreciation* to those traditional donors which have made significant voluntary contributions to the technical cooperation activities of the Economic and Social Commission for Asia and the Pacific and invites non-traditional donors to increase their contributions;

3. *Welcomes* the efforts of the Executive Secretary to focus on high-priority, results-oriented and demand-based projects and requests him to implement such projects in an effective and efficient manner;

4. *Recognizes* the need for the technical cooperation activities of the Economic and Social Commission for Asia and the Pacific to be guided by the internationally agreed development goals contained in the United Nations Millennium Declaration, adopted by the General Assembly in its resolution 55/2 of 8 September 2000, and the outcomes of United Nations summits and conferences, including the Doha Development Agenda, the Johannesburg Plan of Implementation, the Monterrey Consensus, the Almaty Programme of Action and the Plan of Action of the World Summit on the Information Society;

5. *Also recognizes* that the Economic and Social Commission for Asia and the Pacific has comparative strengths and advantages in certain technical cooperation activities in the Asian and Pacific region and requests the Executive Secretary, in carrying out its technical cooperation activities, to continue to attach high priority to the following areas:

(a) Capacity-building for members and associate members to plan and implement effective policies and programmes in economic and social fields through training activities, such as organizing seminars, workshops and the exchange of experts;

(b) Provision of advisory services at the request of members or associate members to strengthen their capacity in responding effectively to the challenges of globalization in the region;

(c) Identification of existing good practices in the region and promotion of their introduction in places where feasibility studies yield positive results;

(d) Enhancement of awareness among members and associate members and facilitation of the dissemination of relevant information;

6. *Urges* the Executive Secretary to implement the projects in close cooperation with the participating Governments and relevant international organizations and bodies as well as in partnership with the private sector and relevant non-governmental organizations;

7. *Also urges* the Executive Secretary to pay particular attention to the special needs of socially vulnerable groups and to the gender dimension when implementing projects;

8. *Further urges* the Executive Secretary to pay particular attention to the special needs of least developed countries, landlocked and Pacific island developing countries, and economies in transition when implementing projects;

9. *Expresses its appreciation* to the Executive Secretary for actively monitoring and evaluating its projects and urges him to continue to do so in order to determine the effectiveness of those projects and to draw lessons therefrom for improved planning and implementation of future projects of the Economic and Social Commission for Asia and the Pacific;

10. *Requests* the Executive Secretary to include the following in his report to the Commission at its sixty-first session under the agenda item entitled "Technical cooperation activities of the Economic and Social Commission for Asia and the Pacific and announcement of intended contributions":

(a) His efforts to mobilize resources in areas such as broadening the donor base, cost-sharing, private sector funding and other innovative means in view of the trend towards declining voluntary contributions for technical cooperation activities;

(b) His strategy paper and action plan for technical cooperation activities for the year 2005 and thereafter, taking into account the priorities of the Economic and Social Commission for Asia and the Pacific and recognizing that the implementation of projects is subject to the availability of extrabudgetary resources;

(c) The results of the monitoring and evaluation of ongoing and recently completed projects for the purposes mentioned in paragraph 9 above.

Draft resolution III
Intergovernmental Agreement on the Asian Highway Network

The Economic and Social Council,

Recognizing the importance of international road transport to the development of the Economic and Social Commission for Asia and the Pacific region's economy, trade and tourism,

Recognizing also that an intergovernmental agreement on the Asian Highway network would play a catalytic role in the coordinated development of international highways in the region and between Asia and Europe,

Recalling the establishment of a working group to develop an intergovernmental agreement for the Asian Highway network, as recommended by the Ministerial Conference on Infrastructure, held in Seoul on 16 and 17 November 2001, and endorsed by the Economic and Social Commission for Asia and the Pacific at its fifty-eighth session,

Recalling also the decision of the Commission at its fifty-ninth session to convene an ad hoc intergovernmental meeting to consider and adopt the agreement in the second half of 2003 and its hope that the agreement could be concluded at the meeting in November 2003,

Welcoming the unanimous adoption of the Intergovernmental Agreement on the Asian Highway Network by the Intergovernmental Meeting to Develop an Intergovernmental Agreement on the Asian Highway Network, held in Bangkok on 17 and 18 November 2003,

Recalling the priority area of infrastructure development and maintenance identified in the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries, adopted at the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, held in Almaty, Kazakhstan, on 28 and 29 August 2003, and acknowledging that the Asian Highway network provides transit transport opportunities,

Expressing its appreciation to the Government of Japan for its valuable support for the development and formalization of the Asian Highway network and for the assistance which it provided in preparing for and convening the Intergovernmental Meeting,

Expressing its appreciation also to the Government of China for hosting the signing ceremony for the Agreement in Shanghai on 26 April 2004,

Convinced that the Agreement will strengthen relations between member countries, promote international trade and tourism through coordinated development of the Asian Highway network and have a substantial positive impact on the region by achieving internationally agreed development goals, including those contained in the United Nations Millennium Declaration, adopted by the General Assembly in its resolution 55/2 of 8 September 2000,

1. *Invites* all the relevant members of the Economic and Social Commission for Asia and the Pacific to become parties to the Intergovernmental Agreement on

the Asian Highway Network in order to ensure the speedy entry into force of the Agreement;

2. *Also invites* the international and regional financing institutions and multilateral and bilateral donors to provide financial and technical support for the development of the Asian Highway network and related infrastructure, particularly taking into account the special needs of landlocked developing countries;

3. *Further invites* subregional organizations to promote the Agreement and accord priority to the development of the Asian Highway network in their respective subregions;

4. *Encourages* landlocked developing countries and their transit neighbours that are members of the Economic and Social Commission for Asia and the Pacific to enter into bilateral or subregional transit traffic facilitation agreements which will enable the Asian Highway network to provide further tangible transit transport opportunities within the scope of the Almaty Programme of Action;

5. *Requests* the Executive Secretary:

(a) To assist member countries in becoming parties to the Agreement;

(b) To accord priority to the development of the Asian Highway network within the work programme of the Economic and Social Commission for Asia and the Pacific;

(c) To collaborate effectively with international and regional financing institutions, multilateral and bilateral donors and subregional organizations for the development of the Asian Highway network;

(d) To discharge effectively the functions of the secretariat of the Agreement;

(e) To report to the Commission at its sixty-first session on the implementation of the present resolution.

II. Matters brought to the attention of the Council

A. Economic Commission for Europe

3. At its fifty-ninth session, ECE adopted several decisions providing guidance on a number of issues including ECE reform and the technical cooperation strategy.

ECE reform

4. Given the enlargement of the European Union and the new geopolitical reality within the region, the Commission agreed that the role and place of ECE in the new European institutional architecture needed to be reviewed, in order to ensure its continued relevance and effectiveness in the new European context.

5. In line with these views and taking into account the recommendations of the Committee for Programme and Coordination (A/58/16), as well as the ongoing ECE reform exercise, the Commission decided to commission a comprehensive report on the state of ECE with the aim of developing recommendations to determine what changes to the role, mandate and functions of ECE are necessary. The report should be guided by the will of member States to avoid duplication and ensure cooperation,

complementarity and efficiency among intergovernmental organizations. The review exercise should also cover the mandate of the Group of Experts on the Programme of Work with a view to possibly strengthening its role. The Commission further decided that the report would be considered at its sixtieth session, in early 2005.

6. The Commission also endorsed several actions proposed by the secretariat, as well as the recommendations proposed by the Group of Experts on the Programme of Work, including the following:

With regard to intergovernmental structures,

(a) The annual session would discuss adjustment of the intergovernmental structure at the Commission level if any eligible body proposed it;

(b) The principal subsidiary bodies of ECE would review biennially their intergovernmental structure, including related advisory groups, and report to the Commission at its annual session.

Technical cooperation strategy

7. The Commission endorsed the technical cooperation strategy proposed by the secretariat. The strategy was seen as a response to the new challenges faced by the Commission in the area of technical cooperation that identified measures aimed at addressing these challenges, as well as supporting the priority-setting mechanism, improving the system of monitoring and evaluation, and strengthening coordination and fund-raising in support of technical cooperation activities. Member States expressed their appreciation of ECE work in this area, including the work of the regional advisers. The need to further strengthen technical assistance activities, particularly in South-East Europe, the South Caucasus and Central Asia, and to improve cooperation with other parts of the United Nations family such as the United Nations Development Programme and the United Nations Environment Programme was also underscored.

B. Economic Commission for Africa

8. At its thirty-seventh session, the Economic Commission for Africa/Conference of African Ministers of Finance, Planning and Economic Development issued a ministerial statement reaffirming the commitment of the member States of the Economic Commission for Africa (ECA) to achieving sustained economic growth and eradicating poverty, and to promoting sustainable development, while also seeking advancement towards an inclusive and equitable global economic system. The ministerial statement emphasized the importance of: (a) restarting the stalled Doha Development Round; (c) urgent action needed on the domestic front; (c) speeding up regional integration as a priority; (d) mainstreaming trade policies in national development strategies; (e) improved development effectiveness for achieving the Millennium Development Goals; and (f) enabling ECA to serve Africa better.

Ministerial statement

9. The main elements agreed upon in the ministerial statement are summarized below:

(a) The Ministers acknowledged the importance of trade as a source of finance and raising prosperity, but expressed concern that Africa had not reaped the gains of global integration to the extent of other developing regions. Africa's share in world merchandise exports had fallen from 6.3 per cent in 1980 to 2.5 per cent in 2000 and the continent's share in world manufactured exports had remained unchanged at 0.8 per cent for two decades.

(b) The Ministers underscored the importance of successfully concluding the Doha Development Round in order to better integrate Africa into the global trading system. In this context, they expressed disappointment at the failure of the Cancun Ministerial Meeting of the World Trade Organization (WTO), held in September 2003, to reach consensus on modalities for negotiations on rich countries' agricultural trade barriers and export subsidies that have effectively blocked Africa's successful integration into world markets. They welcomed, however, the recent resumption of negotiations in Geneva and encouraged the WTO members to fully restore the momentum to the negotiations by July 2004, through the adoption of meaningful frameworks in agriculture, non-agricultural market access and other relevant areas.

(c) The Ministers noted that, for Africa, the adoption of market-distorting subsidies by its Organization for Economic Cooperation and Development (OECD) partners was a core issue in multilateral trade negotiations. Further, market access remained constrained by high tariffs and tariff peaks on strategic agricultural products. They believed that the readiness of the international community to address those issues was a litmus test of their commitment to Africa's development. In particular, the resolution of issues relating to cotton in multilateral negotiations was critical. Likewise, the world trading system had not been conducive to Africa's efforts at diversifying its economies towards manufacturing exports. Industrial countries maintained tariff escalation and tariff peaks on manufactured imports from developing countries, with some peaks as high as 900 per cent. The Ministers recommended that their development partners should take action to correct this. Welcoming the positive contribution of the United States African Growth and Opportunity Act for promoting African exports, they strongly urged its timely renewal beyond 2008, as well as the extension of those provisions scheduled to expire in September 2004. In that respect, they mandated the Executive Secretary of ECA to facilitate the expression of their views to the United States Congress.

(d) The Ministers expressed concern that despite this unbalanced state of affairs, industrial countries still insisted that developing countries should substantially reduce tariffs. If Africa obliged, it risked having its "infant industries" wiped out by low-cost producers. In many of the African countries, political support for cutting tariffs could only come after significant improvements in access to OECD markets that might offset the potential economic dislocation as workers were laid off, factories closed down and government revenues diminished. The Ministers reiterated their belief that progress was needed on special and differential treatment. African countries required more flexibility and discretion in the use of public policies to enhance their prospects for industrialization, diversification of production and exports, and overall development. Extension of special and differential

treatment was essential if the African countries were to participate in and accept the additional obligations resulting from multilateral trade negotiations.

(e) The Ministers stressed the urgency of strengthening the trade capacity of the African countries in order for them to benefit fully from the WTO negotiation process, inter alia through building up the analytical skills and negotiation capacity of the negotiators and policy makers. They called for action at the multilateral level to enhance trade opportunities for Africa. There was a great need for the African countries, regional and international organizations and the private sector to find ways of securing appropriate and predictable sources of trade financing. The Ministers noted that lack of access to trade financing and information and communication technology (ICT) was a major constraint for African entrepreneurs, particularly small and medium-scale enterprises. African countries would also need to adopt dynamic trade policies and remove domestic bottlenecks in order to capitalize on trade opportunities. They should adopt the necessary programmes for the development of the ICT sector and organize themselves to avail themselves of the opportunities offered by future international ICT activities, and should seek better trade facilitation processes.

(f) The Ministers were of the view that trade liberalization can be a potential source of fiscal instability, since most of the African countries depend heavily on trade taxes for public revenue. In this context, they recommend that trade liberalization should be coordinated with measures on the revenue and spending side of the budget, including strengthening tax administration and collection, and improving the effectiveness of public spending.

(g) The Ministers expressed their belief that an integrated continental market offered the best hope for Africa to build its manufacturing sector and diversify its economy away from primary products. They noted with disappointment that intra-African trade remained a small part of Africa's total trade, accounting for only 10.5 per cent of total exports and 10.1 per cent of imports. They also stressed the need to further encourage South-South trade. Emphasizing that successful regional integration was central to fostering intra-African trade and unifying regional markets by removing trade barriers within the continent, they expressed their commitment to removing non-tariff barriers, defining clearer rules of origin and establishing common external tariffs. In that context, they implored ECA and the African Union to continue to work towards rationalizing the regional economic communities. They also expressed their belief that economic infrastructure, especially for communication and transport, was essential for promoting intraregional trade.

(h) Recognizing the importance of trade as an engine of growth, and the complex links between trade, economic growth and poverty reduction, they reached consensus that trade issues needed to be mainstreamed into broader national development strategies, in order to achieve pro-poor growth. That required cross-ministry policy coherence, including in the areas of trade, employment, education, agriculture, transport and industry. Ministries of finance, planning and economic development had a central part to play in mainstreaming trade policies.

(i) The Ministers expressed concern at the continued insufficiency of financing for development in Africa, despite the fact that with the current trends the Millennium Development Goals would not be met by most countries in sub-Saharan

Africa. In that regard, they decided to discuss further, at their next Conference of Ministers, the challenges of attaining the Millennium Development Goals.

(j) The Ministers noted that development financing needs of Africa remain constrained by external debt-servicing requirements. More attention must be paid to Africa's calls for substantial debt relief, but not at the expense of additional resources for development. Furthermore, debt relief should not be limited to heavily indebted poor countries and consideration should be given to special circumstances, such as those of countries newly emerging from conflict. In the case of extenuating circumstances, such as the prevalence of the HIV/AIDS pandemic, middle-income countries should also be eligible for concessional financing. The Ministers noted that the World Bank and the International Monetary Fund were working on a new forward-looking debt sustainability framework. They welcomed the move by the two institutions to examine innovative financing mechanisms, such as the International Finance Facility, global taxation and other proposals to help address the financing of the Millennium Development Goals. Further, noting the recent establishment of the Commission for Africa by the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, the Ministers expressed their belief that that Commission could play an important role in supporting the implementation of the New Partnership for Africa's Development (NEPAD) and pushing the African agenda in international forums. They also looked forward to the first ECA/OECD Joint Review of Development Effectiveness next year, which would review the progress in mutual accountability, harmonization of aid modalities and policy coherence.

(k) The Ministers recognized that ECA was playing a key role in promoting the economic and social development of the continent, but was constrained by lack of resources. They, therefore, urged member States to support ECA efforts by generously contributing to the United Nations Trust Fund for Africa. Noting with appreciation that ECA was now a leading voice on Africa's development, they expressed belief that the proposed way forward would enable ECA to further deepen the relevance of its contribution to the development agenda in Africa.

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Summary of the *Economic Survey of Europe 2003*

Summary

Economic activity in the Economic Commission for Europe region in 2003 continued to be marked by pronounced differences among the major economies and subregions. In the United States of America, the cyclical recovery gained considerable momentum. The euro area remained the principal "weak spot" of the global economy in 2003, mainly because of sluggish activity in the three largest economies (France, Germany and Italy). Economic activity in Eastern Europe strengthened in 2003, and aggregate gross domestic product growth was again significantly above the European Union average, largely due to the robustness of domestic demand. After some deceleration in 2002, economic activity in the Commonwealth of Independent States region surged in 2003, led by rapid growth in the Russian Federation. In the aggregate gross domestic product in the Commonwealth of Independent States grew by 7.6 per cent, making it one of the fastest growing regions in the world. A combination of favourable external conditions (especially higher export prices for oil and gas) and a continuing strong recovery in domestic demand contributed to this outcome.

The short-term outlook for the Economic Commission for Europe region is for a strengthening of growth in 2004. But the underlying cyclical momentum is expected to differ significantly across the region, with robust growth in North America, Eastern Europe and the Commonwealth of Independent States contrasting with relatively moderate growth expectations for the euro area, where the cyclical recovery, moreover, looks still very fragile. Policy makers are mainly concerned about the risks of a possible faltering of the recovery in the United States, in view of a persistently weak labour market performance and the high current account deficit. In the euro area, there is the risk that a further depreciation of the dollar could choke off the nascent recovery by eroding export growth. In Central and Eastern Europe,

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there are concerns about the size of fiscal and external imbalances in several countries, which may require a tightening of economic policies. In the Commonwealth of Independent States, apart from the uncertainties surrounding world commodity markets, downside risks in some of the countries are also related to the need to tighten economic polices in order to correct domestic and external financial imbalances.

Contents

		Paragraphs	*Page*
I.	The Economic Commission for Europe economies in 2003	1–9	3
II.	The short-term economic outlook	10–43	5
	A. Western Europe and North America	10–18	5
	B. Risks to the short-term outlook	19–28	7
	C. Eastern Europe and the Commonwealth of Independent States	29–43	10

I. The Economic Commission for Europe economies in 2003

1. A global recovery started in the second half of 2003 after the economic uncertainties created by the conflict in Iraq and the outbreak of the severe acute respiratory syndrome (SARS) epidemic in Asia had dissipated. Rising activity was accompanied by increases in business and consumer confidence and was mirrored in stronger demand and rising prices for industrial raw materials and crude oil. In the international financial markets, the recovery of investor confidence, in anticipation of increased profits, led to a rebound of equity prices, which in turn has improved the financing conditions for enterprises. Narrowing yield spreads on corporate sector borrowing reflected a more optimistic assessment of risks by financial investors. In the financial and non-financial corporate sectors, the necessary balance-sheet adjustments required to reduce the excessive leverage built up during the boom in the second half of the 1990s have been significant, although the process has not finished yet. These have been reflected in rising profitability. Global economic activity continued to be supported by expansionary economic policies, especially in the United States of America, which has been leading the recovery. The buoyancy of the Asian economies, notably the continued boom in China and the unexpectedly strong recovery in Japan, has also underpinned the global recovery.

2. In the Economic Commission for Europe (ECE) region, economic activity continued to be marked by pronounced differences among the major economies and subregions in 2003 (see annex, table 1). In the United States of America, the annual increase in real gross domestic product (GDP) accelerated to 3.1 per cent. In contrast, the euro area remained the principal "weak spot" of the global economy in 2003, mainly because of sluggish activity in the three largest economies (France, Germany and Italy — see annex, table 2). Real GDP in the euro area as a whole rose by only 0.5 per cent in 2003. For the European Union (EU) as a whole, real GDP rose by 0.8 per cent in 2003, slightly more than for the euro area because of the resilience of the United Kingdom to the global downturn during 2002. The disappointing overall performance of most of the current EU member States contrasts with the strong economic growth in the 10 countries that will be joining the Union at the beginning of May 2004. Real GDP in these 10 countries combined rose by 3.6 per cent in 2003, up from 2.5 per cent in 2002 (see annex, table 1). Had these countries already been members in 2003, real GDP growth in the enlarged Union would have risen to 1 per cent, the small improvement over that of the EU reflecting the relatively small weight of the accession countries, which currently account for only some 5 per cent of the nominal GDP of the enlarged EU. But their economic weight will increase in the future if they are successful in their medium- and longer-term objective of catching up with the average real per capita income in the EU.

3. Economic activity in Eastern Europe as a whole strengthened in 2003, aggregate GDP growth accelerating to 3.8 per cent. As in 2001 and 2002, domestic demand remained the principal source of growth throughout the region; with very few exceptions (Poland and Slovakia), net exports pulled down the growth of output. Thanks to the ongoing restructuring of these economies and the expansion of their productive capacity, domestic suppliers were able to benefit from the strong domestic demand; some East European economies also greatly increased their exports despite the continuing weakness of the West European economies. Improved financial intermediation and a booming credit market, a consequence of successful

banking reforms, also contributed to the general strengthening of economic activity in the region.

4. While all the East European economies grew in 2003, economic performance varied considerably among them. After two years of near stagnation, growth in Eastern Europe's largest economy — Poland — gained momentum during the year and GDP rose by 3.7 per cent (see annex, table 3). The accelerating recovery in Poland was underpinned by expansionary fiscal and monetary policies and by gains in competitiveness that boosted the contribution of net exports to GDP growth. At the same time, there was a slowdown of growth in Hungary and Slovenia, where aggregate output increased by less than 3 per cent. Activity in the Czech Republic picked up somewhat compared with 2002 but GDP grew only moderately (by some 3 per cent). In all three countries growth in 2003 was mostly driven by private domestic demand, net exports generally making a negative contribution to GDP growth despite some recovery of exports in the Czech Republic and Hungary.

5. Latvia and Lithuania were the fastest growing East European economies in 2003, with GDP increasing by 7 and 8.9 per cent, respectively. Both economies benefited from growth in all the components of final demand, which provided a strong stimulus to domestic economic activity. Growth also remained relatively strong (above 4 per cent) in Albania, Bulgaria, Croatia, Estonia, Romania and Slovakia. Slovakia was the only East European economy where GDP growth was entirely driven by a surge in net exports (reflecting increases in the capacity of the foreign direct investment-driven and export-oriented automotive industry). In the other economies, the strength of output mirrored strong domestic demand coupled with a negative impact of net exports on GDP growth. Thus, while exports of goods and services from Bulgaria, Croatia and Romania grew strongly in 2003 (following the recent acceleration of foreign direct investment-led restructuring of these economies), they were outpaced by an even stronger growth of imports.

6. In parts of South-East Europe, economic activity remained weak in 2003. In Serbia and Montenegro GDP was almost stagnant, reflecting a difficult adjustment to the opening up of the economy and the start of major reforms. Economic activity in the former Yugoslav Republic of Macedonia picked up somewhat in 2003 but the economy has still not fully recovered from the slump caused by the internal conflict in 2001. In contrast, growth in Bosnia and Herzegovina continued to slow down for a fourth consecutive year (see annex, table 3). In both countries the rate of GDP growth in 2003 was below the average for Eastern Europe as a whole.

7. After some deceleration in 2002, economic activity in the Commonwealth of Independent States (CIS) region surged in 2003, led by rapid growth in Russia. Aggregate GDP in the CIS grew by 7.6 per cent, making it one of the fastest growing regions in the world. A combination of favourable external conditions (especially higher export prices for oil and gas) and a continuing strong recovery in domestic demand contributed to this outcome. The enduring buoyancy in domestic demand — reflecting growing consumer and investor confidence in many of the CIS economies — is a sign that the difficult reforms in these transition economies are finally starting to bear fruit. Several years of strong growth have also contributed to some improvement in living standards in the region.

8. The average rate of growth in the CIS reflects the strong performance of the region's largest economies: the Russian Federation, Ukraine and Kazakhstan, where GDP increased by 7.3 per cent, 8.5 per cent and 9.1 per cent, respectively. All the

factors mentioned above apply with full force to the explanation of the robust performance in these three countries. The strong upturn in the Russian Federation was also underpinned by an expansionary monetary policy, which sought in the first place to prevent an excessive real appreciation of the ruble. There were also signs of a deeper and more extensive restructuring of the Russian enterprise sector, partly in response to growing competitive pressure. Thanks to the strength of its domestic demand and its impact on imports, the Russian Federation's role as an engine of growth for the neighbouring CIS economies increased in 2003.

9. Kazakhstan's economic growth — which continued for a fourth consecutive year — was mostly due to the rapid expansion of fuel-related exports. In 2003 the continued surge in the volume of commodity exports was coupled with large windfall revenue gains from higher export prices. There has also been a notable recovery in other sectors of the economy in recent years and this continued in 2003. In Ukraine, a sharp export-driven upturn in some manufacturing sectors (such as steel and chemicals, which benefited from strong external demand) contributed to the large increase in GDP in 2003. Other CIS economies were also unusually buoyant in 2003. Gross domestic product (GDP) grew at double-digit rates in Armenia, Azerbaijan, Tajikistan and Turkmenistan (although the official GDP data for the latter country should be treated with caution — see the note to table 3). Economic growth accelerated in Belarus and Georgia (with GDP increasing by 6.8 per cent and 8.6 per cent, respectively) and in Kyrgyzstan the economy recovered from the stagnation (caused by a major mining disaster) of 2002. Despite some slowdown, GDP in the Republic of Moldova rose by 6.3 per cent. A remarkable sign of the general strength of growth in the CIS is the fact that in Uzbekistan, the slowest growing economy in the region, GDP still increased by some 5 per cent in 2003.

II. The short-term economic outlook

A. Western Europe and North America

10. World economic activity is expected to strengthen further in 2004. World output growth is set to exceed 4 per cent, up from 3.25 per cent in 2003. This should be accompanied by a marked acceleration in the volume growth of world merchandise trade to some 8 per cent, twice the rate in 2003.

11. In the United States, real GDP growth is expected to accelerate to an average annual rate of some 4.5 per cent in 2004, up from 3.1 per cent in 2003.[1] The recovery should continue to be supported by the strong growth of domestic demand. Personal consumption spending is forecast to remain strong, rising by some 3.5 per cent over 2003. The expected pick-up in employment and a further fall in the rate of inflation support the continued growth of real disposable incomes. But the savings ratio is expected to edge up and the stimulus from the tax cuts and mortgage equity to diminish. Non-residential business fixed investment is expected to rise strongly by some 10 per cent in 2004, encouraged by expectations of further increases in profits and rising capacity utilization rates. Residential investment is also forecast to continue rising strongly, although less favourable financing conditions are likely to lead to a slower rate of increase than in 2003. Exports are expected to grow at a brisk rate, supported by the depreciation of the dollar and a broadening global

recovery. These external influences on GDP, however, are likely to continue to be more than offset by the strong growth of imports.

12. Strong labour productivity growth is likely to weaken the demand for labour, although it should, nevertheless, begin to edge up in 2004. The unemployment rate is forecast to decline somewhat in 2004 and consumer price inflation is expected to fall below 2 per cent. The current account deficit is forecast to increase to some $575 billion in 2004, although it should remain at some 5 per cent of GDP. The stance of monetary policy is expected to remain very accommodative as long as there are no firm indications of a self-sustaining recovery. This holds notwithstanding the change in the language of the Federal Open Market Committee, which recently stated that "it can be patient in removing its policy accommodation",[2] in contrast to preceding statements that "policy accommodation can be maintained for a considerable period". Fiscal policy will probably remain expansionary, but the fiscal impulse should diminish significantly (to about half a percentage point of GDP), which is appropriate given that most of the output gap is likely to disappear in 2004 and in view of the significant deterioration of the medium-term fiscal outlook. The federal Government's budget deficit is projected to rise to $477 billion, or 4.2 per cent of GDP, in fiscal year 2004.

13. In the euro area, recovery is expected to gain some momentum in the course of 2004 but, for the year as a whole, real GDP is currently forecast to rise by only 1.9 per cent. This reflects the combined effect of a pick-up in exports and a slight strengthening of final domestic demand. Exports should benefit from the stronger growth in world trade, which should help to offset the dampening effects of the recent appreciation of the euro in real effective terms. Changes in the volume of net exports, however, are likely to have a broadly neutral effect overall as a result of the stimulus to imports from the stronger euro. The forecast rise in final domestic demand largely reflects an upturn in business spending on machinery and equipment; construction investment is also picking up slightly, following two years of consecutive decline. Private consumption growth in 2004 is unlikely to be much stronger than in 2003. The recovery might produce a slight increase in demand for labour — a reflection of both the weak rate of output expansion in 2004 and labour hoarding during the cyclical downturn — but this will probably not be sufficient to prevent the unemployment rate from rising to an annual average of 9 per cent. Consumer price inflation should fall to an average of some 1.5 per cent in 2004, significantly below the European Central Bank's (ECB) ceiling of 2 per cent.

14. The stance of monetary policy is assumed to remain broadly accommodative in view of the restraining effects of the real effective appreciation of the euro and the favourable inflation forecasts. Earlier expectations of a tightening of monetary policy in the first half of 2004 have been revised; indeed, in view of the strong appreciation of the euro, a lowering of interest rates would now appear to be necessary to avoid a further tightening of monetary conditions let alone to provide a relaxation. This is all the more necessary because fiscal policy is set to be broadly neutral in 2004.

15. Among the three major economies of the euro area, real GDP in France is forecast to grow slightly below the euro area average in 2004 (table 2). An export-led recovery is expected to be supported in the course of the year by a moderate pick-up in business fixed investment and the rebuilding of inventories. Private consumption growth is likely to remain moderate, reflecting cautious consumer

behaviour in the face of a weak labour market and only small gains in real disposable income. Fiscal policy is expected to be tightened significantly, but the actual budget deficit is forecast to remain above the 3 per cent Maastricht reference value.

16. In Germany, the cyclical recovery is expected to be relatively subdued in 2004. Real GDP is forecast to increase by only 1.7 per cent after a slight fall in 2003.[3] The export-led recovery should stimulate business fixed investment. Industrial output, moreover, should be supported by the rise in global demand for investment goods, a traditional specialization of the German economy. But consumer spending should increase only moderately, given the depressing effects of falling employment on aggregate disposable income and consumer confidence. The cautious spending behaviour of consumers is likely to lead to a further rise in savings. The modest tax cuts adopted in December 2003 are expected to have only a negligible impact (equivalent to 0.2 percentage points of GDP), since they will be partly offset by increases in health charges and cuts in subsidies and social security benefits. The general government budget deficit is forecast to fall somewhat but to remain significantly above the Maastricht threshold of 3 per cent.

17. In Italy, the export-led recovery in 2004 is forecast to be supported by a moderate increase in private consumption and a pick-up of business investment in machinery and equipment, following a sharp fall in 2003. Construction investment should continue to increase at a relatively strong rate. Increased import demand is expected to neutralize the effect of the rise in exports on economic growth in 2004. Fiscal policy is set to be slightly restrictive and the general government budget deficit is projected to rise further, approaching the 3 per cent reference value in 2004. In sum, real GDP is forecast to increase by 1.6 per cent in 2004.

18. Outside the euro area, real GDP is forecast to increase by 2.8 per cent in the United Kingdom of Great Britain and Northern Ireland in 2004. More than half of the increase will be due to the continued strength of private household consumption. Government spending will also continue to make a substantial contribution to growth. Exports are expected to recover strongly, driven by the increase in world trade, but strong import demand will more than offset the positive impact on domestic activity. The current account deficit is expected to increase to some 3.5 per cent of GDP. Fiscal policy remains expansionary, but the fiscal stimulus is likely to be much smaller than in 2003. The general government budget deficit is set to exceed the EU Treaty's 3 per cent mark. Monetary policy was tightened again in early February 2004 (the base rate was raised by a quarter of a percentage point to 4 per cent) against a background of above-trend growth in the final quarter of 2003 and low margins of spare capacity in the total economy. A major policy concern remains the housing boom and the considerable build-up of household debt, which now corresponds to more than 130 per cent of annual disposable income.

B. Risks to the short-term outlook

19. Although the baseline forecast is for a sustained global recovery in 2004 and its continuation in 2005, the short-term economic outlook remains, nevertheless, vulnerable to serious downside risks. Some of these have been present for some time and are mainly related to the legacy of the United States economic boom in the late

1990s. Additionally, a recent emerging concern is that avian influenza could spread from Asia to the rest of the world.

20. A major source of uncertainty, given its strong impact on economic growth in the rest of the world, is the sustainability of the recovery in the United States. A persistent source of worry is the large current account deficit, which now corresponds to 5 per cent of GDP, the highest level on record. The other side of this large and rising deficit is the progressive deterioration in the net international investment position of the United States, which has led to a significant rise in its net foreign debt since the late 1990s, which now corresponds to 25 per cent of GDP. The "financing" of the current account deficit now relies to a large degree on purchases of United States Government bonds by foreign central banks and private investors and not, as in the late 1990s, on inflows of foreign direct investment (FDI).

21. Concerns in international financial markets about the sustainability of the current account deficit are reflected in the pronounced weakening of the dollar since early 2002. Selling pressure on the dollar could well increase in the short and medium term, because the United States recovery and the associated strength of domestic demand is likely to offset, with a lag[4] and to a more or less large extent, the favourable effects of the dollar's depreciation on net exports. The correction of the current account deficit will also be restrained by the asymmetric reaction of net exports to changes in domestic and foreign incomes: a 1 percentage point increase in United States real incomes tends to lead to a larger increase in imports than a corresponding rise in real incomes abroad stimulates exports.[5] In the face of a persistently large current account imbalance, therefore, the risk of sudden and disruptive capital flows and the associated changes in exchange rates cannot be excluded.[6]

22. The problem is that the weakness of the dollar has occurred at a time when the recovery in both the euro area and Japan is still fragile, and when both, to a large extent, are relying on an initial strong impulse from foreign demand. A dilemma is that the adjustment of the current account imbalance cannot be brought about by the exchange rate alone. What is also required is a stronger rate of growth of domestic demand in the rest of the world.[7] Also required is a sustained slowdown in real income growth in the United States of America,[8] combined with an increase in the national savings rate.

23. In principle, creditor countries (i.e. those with current account surpluses) should be prepared to facilitate the adjustment of debtor countries (i.e. those with current account deficits) by accepting an appreciation of their currencies. But the risk is that the dollar depreciation will overshoot in 2004 and choke off the recovery in Europe and Japan, via its adverse impact on exports, profits and business investment.

24. The main challenge for Governments, therefore, is how to ensure both a sustained global recovery and a steady and progressive correction of the major current account imbalances in the global economy. As noted above, exchange rate flexibility is a necessary but not sufficient condition to accommodate this inevitable adjustment process. Another major issue is how to ensure an acceptable sharing of the burden of a dollar depreciation among the major trading partners of the United States of America.[9] So far, this burden has fallen disproportionately on the euro area, although in recent months there has also been a significant appreciation of the

yen.[10] But there remains the thorny issue of Asian currencies, such as the Chinese renminbi, that are formally or informally pegged to the dollar.

25. It is very important to bring about a more balanced distribution of growth among the major regions of the world economy. In Europe, the successive downward revisions of (already moderate) growth forecasts risk having a negative effect on long-term growth expectations in the business sector, with attendant negative effects on productive investment and the growth of potential output. The ambitious goals of the Lisbon strategy of the European Union now look increasingly elusive and are likely to be even more out of reach after enlargement.[11] While the need for supply-side reforms is undisputed, they need to be complemented with a coherent macroeconomic policy framework that is conducive to economic growth. It is therefore important that the envisaged reform of the Stability and Growth Pact finds an appropriate balance between the need to ensure fiscal sustainability over the medium and longer term and sufficient flexibility for fiscal policy to support economic growth. A broader mandate for the European Central Bank (ECB) — emphasizing the importance of giving due attention to both inflation and the growth of employment — would also be helpful.

26. In the United States of America, the downside risks continue to be associated with the persistently high level of private household debt. This could become a serious problem in the event of a large increase in interest rates, leading to a higher debt-servicing burden. A sharp reversal of the boom in the housing market, which helped to sustain personal consumption growth during the cyclical downturn, would dampen household demand and overall economic growth as a result of the negative wealth effects. Another uncertainty is the currently much weaker link between economic growth and employment compared with previous recoveries, at least so far. If new job creation continues to be weaker than expected, it could dampen consumer confidence and spending propensity. Persistently large fiscal deficits could, moreover, trigger a rise in United States long-term interest rates, which would probably spill over to the euro area and Japan, with adverse consequences for interest-sensitive expenditure items. The sharp rise in equity prices in 2003 appears to have been based on very favourable expectations about profits growth. Any slowdown in the rate of recovery is therefore likely to trigger a significant fall in prices, with negative wealth effects on households and the financing conditions for the corporate sector and hence on private sector spending.

27. In the euro area, apart from the concern that a stronger euro could choke off the recovery, business investment could be held back by the lingering balance sheet problems in the corporate sector in several countries, especially France, Germany and Italy. Such problems would risk being amplified by a sharp fall of equity prices. Another uncertainty is how far household spending propensities will be affected by the long-standing discussions about future pension entitlements and the funding of increased health-care costs. There has also been a sizeable increase in household debt in recent years, largely related to a surge in house prices in several countries (notably Greece, Ireland, the Netherlands and Spain). As in the United Kingdom and the United States, there is a risk that rising interest rates could trigger a fall in house prices with adverse effects on consumer spending.

28. Another concern is the boom in emerging market debt in 2003, largely a result of low interest rates in the industrialized countries stimulating investors to search for higher yields on riskier assets. As a result of the surge in demand for emerging

market bonds, yield spreads (over United States treasuries) have fallen to very low levels that were last seen before the Asian and Russian financial crises. An unanticipated rise in United States interest rates, or a weaker than expected global recovery, could trigger a sharp change in investors' perceptions of risk in emerging bond markets and lead to disruptive capital outflows.[12]

C. Eastern Europe and the Commonwealth of Independent States

29. In the short run, Eastern Europe and the Commonwealth of Independent States (CIS) are poised to remain the most dynamic parts of the ECE region. However, growth rates in these two groups are forecast to diverge in 2004: while GDP growth in Eastern Europe is expected to accelerate to some 4.5 per cent (from 3 per cent in 2002 and 3.8 per cent in 2003), in the CIS it is set to slow down from the exceptionally high rate of 7.6 per cent in 2003 to a still relatively high 5.7 per cent in 2004, a rate similar to that in 2001 and 2002 (table 3).

30. The generally optimistic forecasts for the East European economies reflect expectations of a strengthening of the recovery in Western Europe, which is their main export market. Most countries in Eastern Europe are relying on stronger demand for their exports in 2004 (than was the case in the previous two years), not only to support domestic activity but also as a way to revert to a more balanced pattern of growth. Growth in Eastern Europe in 2002 and 2003 was predominantly driven by domestic demand (and often largely by consumption), which in some cases led to sizeable macroeconomic imbalances. A shift towards export-led growth (a pattern that prevailed throughout most of the 1990s) would help to reduce these imbalances.

31. In Central Europe it is expected that the strengthening of West European import demand, coupled with the positive effects of EU accession on business and consumer sentiment, should lead to stronger growth in 2004. Growth in Eastern Europe's largest economy, Poland, was steadily accelerating during the course of 2003 and is expected to continue to do so in 2004, thanks to exports of manufactured goods and a strong revival of private fixed investment. Supportive policies (as envisaged in the budgetary policy framework for the year) and the recovery of private consumption should provide further support to activity. Taken together those factors should underpin an acceleration of Polish GDP growth to some 5 per cent in 2004. However, the envisaged fiscal stimulus implies a further increase in the budget deficit and a worrying escalation in the level of public debt. Hence, the implementation of the long-delayed reforms in the country's public finances is increasingly urgent, despite their possible negative short-term implications for economic activity.

32. In Hungary, the expected modest strengthening of GDP growth in 2004 (to 3.3 per cent) presupposes a major shift towards export-driven growth. This, in turn, is conditional on significant gains in competitiveness and profitability (resulting from wage moderation and rapid productivity growth) leading to a stronger recovery of business investment, a revival of foreign direct investment (FDI) inflows and a sharp upturn in exports. If successful, this adjustment should lead to a large increase in the contribution of net exports to GDP growth, which would be sufficient to offset the negative effects of the envisaged tightening of macroeconomic policy (in response to the twin deficit problem and the currency turmoil in 2003) on private

and public consumption. Similarly, the Czech authorities face difficult policy choices related to the threat of unsustainable twin deficits, a consequence of earlier expansionary policies. The response to these threats is likely to involve fiscal retrenchment and, possibly, a tightening of monetary policy as well. The possible withdrawal of policy support to domestic activity (a support that prevented a more severe slowdown in 2002 and 2003) is expected to lead to a deceleration in growth to 2.8 per cent in 2004, despite the likely revival of exports. In Slovenia, the present policy of wage restraint should strengthen competitiveness and this, together with the recovery of West European demand, should provide a boost to exports in 2004. As a result, the recovery in aggregate output should accelerate to 3.6 per cent in 2004. In Slovakia, growth is set to remain strong in 2004, with GDP increasing by some 4 per cent. The export-oriented manufacturing sector should benefit from stronger external demand, and the economy as a whole should also gain from the confidence-enhancing effects of EU membership and structural reforms focused on improving the fiscal position and strengthening work incentives. In contrast to other Central European economies, final domestic absorption can also be expected to increase in Slovakia in 2004, providing further support to domestic economic activity. Strong GDP growth (at rates around 6 per cent or more) is expected to continue in all three Baltic States in 2004. The three economies rely heavily on exports to Western Europe and should benefit from a recovery in domestic and import demand in the EU. However, the very large current account deficits in Estonia and Latvia may lead to a tightening of macroeconomic policies, which may, in turn, somewhat moderate their growth rates.

33. Economic performance in South-East Europe is likely to remain mixed in 2004. Robust growth is set to continue in Bulgaria, Croatia and Romania, with GDP in each of them increasing by some 5 per cent or more. The prospect of EU membership has not only provided a stimulus to policy reforms but has also raised the attractiveness of these economies in the eyes of foreign investors, leading to a surge in inward FDI.[13] In turn, the acceleration of FDI-led restructuring has strengthened the supply side of their economies, and this provides a basis for a sustained recovery in the coming years. However, all three countries have large (and in some cases growing) current account deficits; Croatia also suffers from a chronically large fiscal deficit. Consequently, a tightening of policies in some of these economies, with possible adverse effects on economic activity, cannot be excluded. In Serbia and Montenegro, after a considerable slowdown in 2003, growth is expected to gain some momentum in 2004, with GDP increasing by 3-4 per cent. The completion of a number of major privatization deals in 2003 (some of them to strategic foreign investors) should boost the process of enterprise restructuring in this country. At the same time, a number of important policy reforms have been put on hold as a result of the early parliamentary elections held in 2003. The other south-east European economies are expected to maintain their rates of growth in 2004.

34. While the short-term outlook for Eastern Europe as a whole is generally positive, there are some important downside risks to these forecasts. The most serious is the presently lacklustre West European import demand, which, if it fails to improve, could disappoint East European hopes of robust export growth. Additional uncertainties about East European export growth stem from the increasingly strong competitive pressures coming from Asian producers. The macroeconomic imbalances in a number of East European economies are another important source of

downside risks: policy makers are under increasing pressure to take action to correct large and sometimes growing current account deficits. In addition, if efforts to consolidate the public finances in Central Europe fail to reduce the large fiscal deficits, a further tightening of monetary policy (driven by efforts to meet the Maastricht targets) may be the prospect. Such policy responses are likely to have negative consequences for economic activity in the countries involved and in Eastern Europe as a whole.

35. In the Commonwealth of Independent States, some moderation of growth is expected in 2004, with aggregate GDP increasing by some 5.7 per cent. This reflects expectations of a slowdown in the region's largest economies (especially the Russian Federation), which, in turn, is mostly related to uncertainties surrounding the external environment. Nevertheless, robust output growth should generally prevail throughout the CIS region.

36. Russia's long-term economic strategy, adopted in 2003, calls for the doubling of GDP in 10 years. This implies that the GDP of the Russian Federation should grow by more than an average annual rate of 7 per cent during this period. While in principle the Russian economy has the potential to grow rapidly, provided its resources are used more efficiently, its declining population (which leads to a diminishing labour force) could become a serious constraint on its ability to meet such an ambitious growth target. In addition, the realization of its long-run growth potential — which is in any case below the annual target mentioned above — will depend on the acceleration and deepening of systemic and structural reforms.

37. In the short run, economic activity should generally remain buoyant in the Russian Federation but GDP growth is set to slow down slightly in 2004, to some 5 to 6 per cent. The Russian economy is still very dependent on the oil sector and developments there are likely to have a major impact on its overall economic performance. According to recent estimates, the growth of Russian oil production (which has been a major driving force of the economy in recent years) is expected to decelerate considerably in 2004 (to some 3 per cent, after increasing by 11 per cent in 2003) and this will undoubtedly affect the growth of GDP.[14] An additional uncertainty surrounding Russia's economic prospects in 2004 is the outlook for world oil prices. Economic performance in the non-oil sectors of the economy will also depend on the ruble's exchange rate: a sharp real appreciation could place another obstacle in the way of a stronger recovery in the manufacturing sector, unless key product market reforms (including bankruptcy proceedings) are implemented more effectively than hitherto.

38. Despite some moderation, Kazakhstan's economic expansion should continue at a fast pace in 2004, with GDP expected to increase by some 7 per cent. Several years of strong growth have contributed to a significant rise in living standards and to a rehabilitation of public finances. In turn, this has allowed the Government, after years of austerity, to refocus the priorities in its budgetary policy. In particular, the 2004 budget envisages an increase of the share of social programmes in public expenditure; in addition, the Government plans to allocate more resources to economic diversification, innovation and technological development.[15] While these policies target important economic and social goals, the authorities probably need to exercise some caution when engaging in policy activism. The current robust economic performance and the budgetary surplus largely reflect windfalls from the recent high world market prices for energy resources; an abrupt reversal of such

prices could quickly undermine the Government's ability to allocate large funds to social programmes and industrial policy. At the same time, some of these measures (especially those related to entitlements) could be very difficult to reverse. From this point of view, a less risky policy priority, but nevertheless with significant long-term returns, would be public investment in the development of human capital and in growth-enhancing public infrastructure. Attracting foreign direct investment to the non-oil sectors could be another important way to promote economic diversification.

39. After exceptionally strong growth in 2003, Ukraine's economy is also expected to slow down in 2004 with GDP increasing by some 5 per cent. The outcome in 2003 was partly due to a one-off recovery in the external demand for some key export items (such as steel and chemicals) for which spare capacity was available; such a concurrence of factors is unlikely to be repeated in 2004. Domestic economic policy (and performance) in 2004 is likely to be influenced by the forthcoming elections. Some planned reforms, such as the restructuring of key sectors of the economy (the coal and mining industries, energy and telecommunications, among others), are likely be put on hold until after the elections. At the same time, some loosening of policy ahead of the elections, involving a shift in public spending from investment to consumption, cannot be ruled out.

40. In January 2004, the Belarusian Government adopted a set of long-term policy measures intended to accelerate the restructuring of the economy and raise its competitiveness. However, the success of this programme hinges on the willingness of the authorities to undertake the painful measures needed for the restructuring of the ailing enterprise sector, which has so far largely escaped reform. Belarusian firms have been shielded from competitive pressure through various subsidies (including directed soft bank credit), which have also had detrimental consequences for the banking system and for macroeconomic stability. The 2004 programme can only achieve its goals if the authorities radically change these policies by imposing hard budget constraints on firms and banks and accelerate the much delayed privatization of the enterprise sector. The economic programme calls for an increase in GDP of some 9 to 10 per cent in 2004; while growth in Belarus is likely to remain relatively strong, this is probably an overambitious target.

41. The Kyrgyz economy has recovered from the slump that followed the temporary closure of the Kumtor gold mine; however, due to existing macroeconomic imbalances, the forecast for 2004 is somewhat cautious, envisaging an increase in GDP of some 4 per cent. A deceleration in economic growth is also envisaged in 2004 in the Republic of Moldova where GDP is forecast to increase by some 5 per cent, which is below the average rate of the last three years. The slowdown is due to the balance of payments constraint arising from heavy foreign debt service requirements. The resumption of official assistance to the Republic of Moldova by the international financial institutions is vitally important for easing this constraint and thus releasing much needed resources for the restructuring of the economy and strengthening its prospects for growth. The macroeconomic situation in Georgia is similar to that in the Republic of Moldova: the more restrictive policy stance envisaged for 2004 (prompted by the large external deficits) is likely to result in a slowdown of GDP growth.

42. In Uzbekistan, the official GDP growth target for 2004 (6 per cent) should be judged against a major policy dilemma that the authorities are facing. On the one hand, if they maintain the relatively tight policy stance of 2003 — launched in an

effort to prevent an excessive depreciation of the sum ahead of the introduction of currency convertibility— without reverting to currency controls, the target may be rather difficult to achieve. On the other hand, a loosening of policy could trigger unwanted inflationary pressures (through the expected currency depreciation), while the eventual reintroduction of currency controls would compromise the effort to make the currency convertible. Growth in Tajikistan is expected to remain strong in 2004, at around 8 per cent, thanks to progress in macroeconomic stabilization and the general improvement in the economic climate in the country. Relatively high rates of growth are also expected in the rest of the CIS economies in 2004.

43. Apart from the uncertainties surrounding world commodity markets, there are additional downside risks to the short-term outlook for the CIS economies. Macroeconomic imbalances in some of them may prompt Governments to tighten macroeconomic policies (after a general relaxation in 2003), and this could lead to some moderation in growth rates. Some of the more indebted CIS economies may encounter balance of payments constraints that could further weaken their growth. Finally, developments in the Russian economy in 2004 will continue to have a significant influence on economic performance in the rest of the CIS: if growth in the Russian Federation falls below expectations, there will be negative repercussions for all the other economies in the region.

Notes

[1] The strong cyclical momentum in the United States of America in the course of 2003 created a significant statistical carry-over effect of 1.9 percentage points. If real GDP in the United States were to stagnate in 2004 at its level in the fourth quarter of 2003, the annual growth rate would still be 1.9 per cent in 2004. Thus, even a stagnating United States economy, in the course of 2004, would still produce the same average annual rate of economic growth in 2004 as is currently forecast for the euro area.

[2] Federal Reserve Board, *FOMC Statement*, Press Release, 28 January 2004 (www.federalreserve.gov).

[3] Annual GDP data are not adjusted for variations in the number of working days. In Germany, about half a percentage point of the average annual growth rate in 2004 is accounted for by calendar effects, which lead to an exceptional increase in the total number of working days compared with the preceding year.

[4] This is the so-called J-curve effect, which describes the adjustment path of the trade balance in response to a real depreciation.

[5] C. Mann, *Is the U.S. Trade Deficit Sustainable?*, Institute for International Economics (Washington, D.C.), 1999.

[6] See, *Economic Survey of Europe, 2003*, No. 1, United Nations publication, Sales No. E.03.11.E.26.

[7] Ibid.

[8] C. Freund, *Current Account Adjustment in Industrialized Countries*, Board of Governors of the Federal Reserve System, International Finance Discussion Papers, No. 692 (Washington, D.C.), December 2000.

[9] *Statement of G-7 Finance Ministers and Central Bank Governors* (Boca Raton, FL), 7 February 2004 (www.g7.utoronto.ca).

[10] The Japanese authorities, however, continued to intervene strongly in the foreign exchange

markets in January 2004 to check the appreciation of the yen.

[11] Commission of the European Communities, "Delivering Lisbon — reforms for the enlarged Union", *Report from the Commission to the Spring European Council*, COM (2004) 29 (Brussels), 21 January 2004.

[12] International Institute of Finance, "Net private capital flows to emerging markets rose sharply in 2003 and are set to continue at robust rate in 2004", Press Release, 16 January 2004 [www.iif.com].

[13] Bulgaria and Romania are aiming at a quick finalization of their accession negotiations in pursuit of their ambition to join the EU in 2007, while Croatia has recently voiced its desire for speedy accession to the EU.

[14] Statement published by Russia's Ministry of Energy, *Reuters News*, 31 December 2003, reported in Dow Jones Reuters Business Interactive (Factiva).

[15] In a broader context, these measures are the first steps in implementing the long-term national Industrial Development Strategy (covering the period until 2015), which was adopted in 2003.

Annex

Table 1
Annual changes in real GDP in the ECE region, 2000-2004
(Percentage change over previous year)

	2000	*2001*	*2002*	*2003*	*2004*
ECE region	4.1	1.4	2.1	2.5	3.6
Western Europe	3.7	1.3	1.3	0.9	2.2
European Union	3.6	1.7	1.1	0.8	2.1
Euro area	3.5	1.7	0.9	0.5	1.9
North America	3.8	0.6	2.3	3.0	4.5
United States	3.7	0.5	2.2	3.1	4.6
Eastern Europe	3.9	3.2	3.0	3.8	4.5
CIS	8.9	6.1	5.2	7.6	5.7
Russian Federation	10.0	5.1	4.7	7.3	5.5
Memorandum items:					
EU acceding countries-10	4.0	2.6	2.5	3.6	4.2
Enlarged EU-25	3.6	1.8	1.2	1.0	2.3
Europe (east and west)	3.8	1.5	1.5	1.2	2.5
Europe (east and west) and CIS	4.4	2.1	2.0	2.1	2.9

Source: Tables 2 and 3.
Note: The regional aggregates are computed by summing over all countries the constant prices series rescaled to the price level of the common base year 2000 and converted into dollars using the GDP purchasing power parity of the year 2000.

Table 2
Changes in real GDP in the developed market economies, 2001-2004
(Percentage change over previous year)

	2001	*2002*	*2003*	*2004*
France	2.1	1.2	0.2	1.7
Germany	0.8	0.2	-0.1	1.7
Italy	1.8	0.4	0.5	1.6
Austria	0.8	1.4	0.9	1.9
Belgium	0.6	0.7	1.0	1.9
Finland	1.2	2.2	1.4	2.6
Greece	4.0	3.8	4.0	4.1
Ireland	6.2	6.9	2.3	3.8
Luxembourg	1.2	1.3	1.2	2.0
Netherlands	1.2	0.2	-0.8	1.0
Portugal	1.6	0.4	-0.8	1.4
Spain	2.8	2.0	2.4	3.0
Euro area	1.7	0.9	0.5	1.9
United Kingdom	2.1	1.7	2.1	2.8
Denmark	1.4	2.1	0.3	2.2
Sweden	1.1	1.9	1.6	2.4
European Union	1.7	1.1	0.8	2.1
Cyprus	4.0	2.0	2.0	3.4
Iceland	2.9	-0.5	1.9	3.7
Israel	-0.9	-0.8	0.8	1.9
Malta	-1.2	1.7	0.8	2.7
Norway	1.9	1.0	0.4	2.9
Switzerland	0.9	0.2	-0.4	1.6
Turkey	-7.5	7.8	5.0	4.9
Western Europe	1.3	1.3	0.9	2.2
Canada	1.9	3.3	1.7	3.1
United States	0.5	2.2	3.1	4.6
North America	0.6	2.3	3.0	4.5
Japan	0.4	0.1	2.3	2.1
Total above	0.9	1.6	2.0	3.2
Memorandum items:				
EU acceding countries-10	2.6	2.5	3.6	4.2
Enlarged EU-25	1.8	1.2	1.0	2.3
Western Europe and North America	1.0	1.8	2.0	3.4

Source: Eurostat; OECD national accounts; national statistics; European Commission, *European Economy*, No. 5 (Brussels), 2003; *OECD Economic Outlook* No. 74 (Paris), December 2003; Consensus Economics, *Consensus Forecasts*, 12 January 2004; *The Economist*, 5 February 2004.

Note: All aggregates exclude Israel. Data for 2003 are preliminary estimates. Data for 2004 are forecasts.

Table 3
Changes in real GDP in eastern Europe and the CIS, 2000-2004
(Percentage change over previous year)

	2000	2001	2002	2003	2004 forecast
Eastern Europe	3.9	3.2	3.0	3.8	4.5
Albania	7.7	6.5	4.7	6	6
Bosnia and Herzegovina	5.4	4.5	3.7	3.2	4
Bulgaria	5.4	4.1	4.8	4.8	5.3
Croatia	2.9	4.4	4.6	4.7	5
Czech Republic	3.3	3.1	2.0	3.0	2.8
Estonia	7.3	6.5	6.0	4.5	5-6
Hungary	5.2	3.8	3.5	2.8	3.3
Latvia	6.8	7.9	6.1	7	6-7
Lithuania	4.0	6.5	6.8	8.9	6.2
Poland	4.0	1.0	1.4	3.7	5
Romania	2.1	5.7	4.9	4.8	5.5
Serbia and Montenegro[a]	6.4	5.5	3.8	1	3-4
Slovakia	2.0	3.8	4.4	4.1	4.1
Slovenia	4.6	2.9	2.9	2.6	3.6
The former Yugoslav Republic of Macedonia	4.5	-4.5	0.9	3.1	3-4
CIS	9.0	6.1	5.2	7.6	5.7
Armenia	5.9	9.6	12.9	13	7
Azerbaijan	11.1	9.9	10.6	11.2	9
Belarus	5.8	4.7	5.0	6.8	6-7*
Georgia	1.8	4.8	5.5	8.6	4.5
Kazakhstan	9.8	13.2	9.9	9.1	7
Kyrgyzstan	5.4	5.3	–	6.7	4.1
Republic of Moldova[b]	2.1	6.1	7.8	6.3	5
Russian Federation	10.0	5.1	4.7	7.3	5.5
Tajikistan	8.3	10.2	9.5	10.2	8
Turkmenistan[c]	18.6	20.7	19.8	17	..
Ukraine	5.9	9.2	5.2	8.5	4.8
Uzbekistan	4.0	4.5	4.2	5	6
Total above	6.9	4.9	4.4	6.1	5.2
Memorandum items:					
EU acceding countries	4.0	2.5	2.5	3.7	4.3
Baltic states (BS-3)	5.6	6.9	6.4	7.3	6.1
Central Europe (CE-5)	3.9	2.2	2.2	3.4	4.1
South-East Europe (SEE-7)	3.7	4.9	4.5	4.3	5.1
CIS without Russian Federation (CIS-11)	6.6	8.4	6.5	8.2	6.1
Caucasian CIS countries (CCIS-3)	6.9	8.2	9.5	10.8	7.2
Central Asian CIS countries (CACIS-5)	7.7	9.2	7.5	7.9	6.9
Three European CIS countries (ECIS-3)	5.7	7.8	5.2	8.0	5.3

(Source and footnotes on following page)

(Source and footnotes to Table 3)

Source: National statistics, CIS Statistical Committee; direct communications from national statistical offices to UNECE secretariat; reports by official forecasting agencies.

Note: Forecasts are those of national conjunctural institutes or government forecasts associated with the central budget formulation. Aggregates are UNECE secretariat calculations, using PPPs obtained from the 1996 European Comparison Programme. Aggregates shown are: eastern Europe (the 15 countries below that line), CIS (the 12 member countries of the Commonwealth of Independent States). Sub-aggregates – Baltic States (BS-3): Estonia, Latvia, Lithuania; central Europe (CE-5): Czech Republic, Hungary, Poland, Slovakia, Slovenia; EU acceding countries: Baltic States and central Europe; south-east Europe (SEE-7): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia and Montenegro, the former Yugoslav Republic of Macedonia; Caucasian CIS countries (CCIS-3): Armenia, Azerbaijan, Georgia; central Asian CIS countries (CACIS-5): Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan; three European CIS countries (ECIS-3): Belarus, Republic of Moldova, Ukraine.

[a] Excluding Kosovo and Metohia.

[b] Excluding Transdniestria.

[c] Figures for Turkmenistan should be treated with caution. In particular, the deflation procedures that are used to compute officially reported growth rates are not well documented and the reliability of these figures is questionable.